

Clinton's Choice: Tell All or Just a Bit

He Brainstorms With Aides on a Version the Public Will Accept

By Richard L. Berke
New York Times Service

WASHINGTON — President Bill Clinton has had extensive discussions with his inner circle of advisers about a strategy of acknowledging to a grand jury on Monday that he had sexual encounters with Monica Lewinsky in the White House, senior advisers have said.

Although Mr. Clinton has not settled on this approach, discussions have centered on a plan that would allow him to acknowledge a specific type of sexual behavior while still maintaining that he told the truth when he testified in January that he had never had "sexual relations" with the former White House intern, the advisers said.

Mr. Clinton would say he based his previous denial, in a deposition in the Paula Jones lawsuit, on a definition of sex that the judge in the case had approved.

His advisers believe the definition accepted by the judge does not apply to certain variations, including oral sex.

For months, Mr. Clinton has publicly denied any sexual relationship with Ms. Lewinsky. So an acknowledgment of some kind of sexual encounter poses considerable political risk, particularly if it were linked to a legal argument that rests on a narrow definition of what the word "sex" means.

But Mr. Clinton's advisers have said that telling anything less than the truth to a grand jury about sex with Ms. Lewinsky would pose an even greater risk.

It is not clear how precisely Mr. Clinton has described his relation-

ship with Ms. Lewinsky to his lawyers.

Once Mr. Clinton settles on what to say to the grand jury, which will hear him Monday, he must decide whether, and how, to explain to the American public his testimony.

Several Clinton advisers said there is a consensus that he should speak out publicly, perhaps in a brief televised speech, after he has testified. Several advisers said the feeling is that the president's testimony will somehow be leaked to the public anyway, so he should portray it from his point of view, which would oblige him to offer some

specifics about the relationship.

The advisers cautioned that preparations for the grand jury appearance are continuing and that the strategy could still change as the president continues to examine the legal and political implications of various courses.

It could be that some of the president's advisers are discussing his possible approaches with reporters to gauge the political reaction.

The president has been severely limited in his ability to take political soundings, because anyone he talks to other than his private lawyers and his wife is vulnerable to subpoenas from Kenneth Starr, the independent counsel.

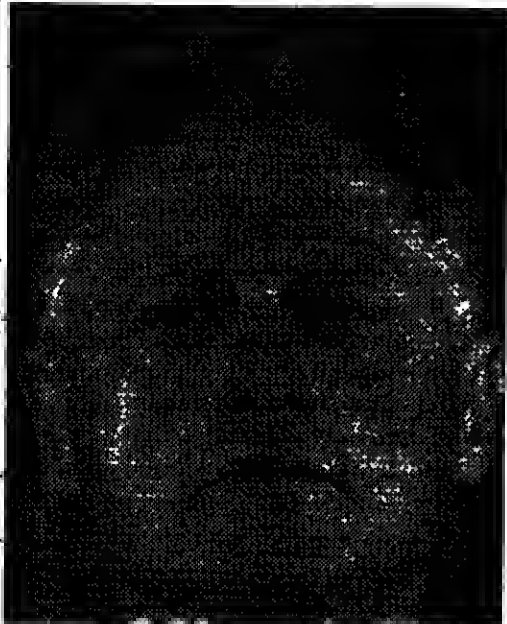
The most crucial discussions have been confined to a small group of advisers, all of whom have some recognized privilege that may be invoked against prosecutors seeking to learn of their advice.

They include Mr. Clinton's wife, the lawyers Mickey Kantor, former secretary of commerce, and David Kendall, along with other lawyers in Mr. Kendall's firm of Williams & Connolly.

Even as the president's advisers review his options, some have prefaced their remarks by saying that it is still possible Mr. Clinton will say again, as he has publicly, that he never had "sexual relations" with Ms. Lewinsky.

Rahn Emanuel, a senior political adviser to the president, declined Thursday to discuss Mr. Clinton's legal options.

Democrats and Republicans alike have suggested that even a mild and delicately worded con-



Crucial to President Bill Clinton's case: What exactly does the word "sex" mean?

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Rebels fighting to overthrow the government of Laurent Kabila brandishing rifles after meeting a commander Friday in a Congolese town.

Thousands Flee Capital Of Congo In a Panic

Electricity Is Restored But Residents Doubt Power of Government

By Howard W. French
New York Times Service

KINSHASA, Democratic Republic of the Congo — Electrical power was restored to this city Friday after a 24-hour interruption, but with uncertainty soaring over the government's ability to keep approaching rebel forces at bay, thousands of foreigners and Congolese alike fled the city whatever way they could.

Responding to the urgent calls from almost every major Western country for their citizens to leave Congo, foreigners and locals with the necessary cash — and visas — besieged airline offices and filled every available seat on the few remaining commercial flights that were flying on Friday.

"I have got to get my family out," said one longtime foreign resident, who despite abundant business connections with the airlines had to struggle against huge crowds, including many offering bribes to airline officials, to secure three seats. "I myself will stay behind. But no one knows what might happen here and the family had to leave."

By day's end, virtually every scheduled airline had canceled its service to this city of over five million, and Western countries, including the United States and France, were making arrangements for special charter flights to evacuate remaining nationals.

The rush to leave this city came on yet another roller-coaster day in a nearly two-week-old rebellion when things seemed to veer in the direction, if only momentarily, of normalcy.

After a night without electricity during which many feared the worse, following a dramatic rebel seizure of Africa's largest hydroelectric dam, power was restored in most parts of the capital by midday. This set off another round of competing claims between rebel and government forces over the course of a conflict that at times has seemed as much psychological as military.

The rebels, who seek to overthrow President Laurent Kabila, claimed they still held the dam at Inga, about 320 kilometers (200 miles) southwest of here, but had restored the power supply as a humanitarian gesture and would cut it off again within three days if Mr. Kabila still clung to power then.

The government, having already suffered a huge blow with the interruption of electricity Thursday, sought to reassure public opinion already tending toward flight and despair. "The dam was not taken by the invaders," the energy minister, Christian Eloko Botula, said in an interview on national radio, once transmission was restored. "There was simply a technical failure, and it has been repaired."

The public face the government put on the crisis did little to reassure many, however, including many senior officials. One minister encountered in a Kinshasa hotel asked a foreign journalist for his evaluation on what happened.

When the answer came that it seemed very likely that the dam had been captured, he replied gravely. "Yes, I am afraid the news is not at all good."

Electricity was not the only bad news for the government either, although the impact of even more potentially serious developments has not yet come to be widely felt. The rebels claimed Friday to have resumed flights of men and weapons from cities under their control in the far east of the country, where they were reinforcing positions they already held and preparing to attack new targets.

Throughout the conflict, diplomats here have claimed to have few precise

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U.S. Pressed UN to Cancel Iraqi Arms Inspections

By Barton Gellman
Washington Post Service

WASHINGTON — The Clinton administration has intervened secretly for months, most recently Aug. 7, to dissuade United Nations weapons teams from mounting surprise inspections in Iraq because it wished to avoid a new crisis with the Baghdad government, according to knowledgeable American and diplomatic sources.

The interventions included an Aug. 4 telephone call between Secretary of State Madeleine Albright and Richard Butler, executive chairman of the UN Special Commission responsible for Iraq's disarmament, who spoke on a secure line from the U.S. Embassy in Bahrain.

As a team of specialists stood poised in Baghdad, according to persons acquainted with the call, Mrs. Albright urged Mr. Butler to rescind closely held orders. The team was to mount "challenge inspections" at two sites where intelligence leads suggested they could uncover forbidden weapons components and documents describing Iraq efforts to conceal them.

After a second high-level caution from Washington on Aug. 7, Mr. Butler canceled the special inspection and ordered his team to leave Baghdad.

The disclosures were made Thursday by officials who regarded the abandoned leads as the most promising in years and objected to what they described as the American role in squelching them.

U.S. efforts to forge a go-slow policy in Iraq have coincided with the announcement by Baghdad that it would halt nearly all cooperation with the UN commission and the Vienna-based International Atomic Energy Agency. The two panels are responsible for ridding Iraq of ballistic missiles and biological, chemical and nuclear weapons.

The behind-the-scenes campaign of caution is at odds with the Clinton administration's public position as the strongest proponent of unconditional access for the inspectors to any site in Iraq. Led by the United States, and backed by American threats of war, the Security Council has demanded repeatedly since 1991 — most recently in Resolution 1154 on March 2 — that Iraq

See IRAQ, Page 5

Newstand Prices

Bahrain	1.000 BD	Malta	55 c
Cyprus	CE 1.00	Nigeria	12500 Naira
Denmark	14.00 DKr	Oman	1.250 O.R.
Finland	12.00 FM	Qatar	10.00 QR
Gibraltar	5.085 Rep.	Ireland	IR £ 1.00
Great Britain	£ 0.90	Saudi Arabia	10 SR
Egypt	SE 5.50	S. Africa	R12 + VAT
Jordan	1.250 JD	U.A.E.	10.00 Dh
Kuwait	K SH 160	U.S. M.	(\$1.20)
Swaziland	700 Fils	Zimbabwe	Zim\$40.00



A DAY'S RELIEF FOR TWO TROUBLED MARKETS

Seeing Vultures Circle, Hong Kong Gets Tough

By Mark Landler
New York Times Service

HONG KONG — After days of speculative attacks on its currency, Hong Kong said Friday that it had mounted a counterstrike by intervening in the stock and futures markets.

Sir Donald Tsang, the financial secretary of Hong Kong, said that the government had taken the rare step of dipping into its reserves to buy shares and futures contracts because it believed that currency traders were manipulating the territory's financial markets to make "speedy profits."

The move was announced after the stock market closed. But rumors of the intervention earlier galvanized the market, which had been battered by heavy losses all week.

The Hang Seng index rebounded 8.5 percent, or 564.27 points, to 7,224.69, its ninth-biggest point gain ever. The

index had dropped about 16 percent this month.

"We do not tolerate attempts by speculators to manipulate our interest rates," Sir Donald said as he stood next to the chairman of the Hong Kong Monetary Authority, Joseph Yam, at a news conference.

The monetary authority waded into the market to buy Hong Kong dollars late last week and earlier this week. But it refused to characterize those moves as an intervention — saying instead that it was merely raising local currency to finance a temporary budget deficit.

But the intervention in financial markets Friday was far more aggressive than merely buying Hong Kong dollars.

In addition to the government's purchases, speculation surfaced that local companies with ties to the government

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Moscow Stocks Recover As Banks Avert a Run

By Michael Wines
New York Times Service

MOSCOW — Russia's financial markets rallied Friday after the Kremlin and the major Western powers indicated that they were working on still further plans to end the country's economic crisis.

But with Thursday's panic fresh in their minds, brokers and analysts said they were less optimistic about a solution than they had been Friday's markets had not continued the collapse that began the day before.

After losing almost 6.5 percent of their value on Thursday, Russian blue-chip stocks recouped those losses. The Russian RTS index closed 13.7 percent higher at 115.00 Friday.

The nine-month government bonds were yielding about 150 percent, well under the 200-percent-plus yields of Thursday.

The banking system, which became the focus of Thursday's selling after it became clear that some major banks were unable to repay major loans, remained solvent.

Moscow banks were open, though many refused to sell their customers dollars. The city's hundreds of currency exchanges were selling dollars, sometimes at exorbitant rates, but many had posted "No dollar" signs by the end of the day.

The Central Bank was trading currency at the rate of about 6.3 rubles per dollar. But at some currency exchanges around town, the rate approached 7 rubles per dollar. "It looks as though they avoided a run on the banks, which was the nightmare we were staring at this morning," said Tom Adeshead, co-director of research for Moscow's United Financial Group.

See MOSCOW, Page 13

Russia at the Brink: Another Bailout?

By Paul Blustein
Washington Post Service

WASHINGTON — Rarely has an international bailout of a major country fizzled so quickly — and so speculatively.

Only three and a half weeks after the International Monetary Fund approved a \$22.6 billion loan package for Russia, the nation's financial markets are engulfed in a panic.

Experts are predicting that yet another Russian rescue will be cobbled together, given Moscow's immense strategic importance.

A 14 percent recovery in Russian stock prices on Friday did little to calm traders. The stock market dove 6.5 percent Thursday, the latest in a string

of losses that has knocked off 71 percent of the value of the nation's major stock index since the beginning of the year.

What has gone wrong, many officials and analysts agree, involves a confluence of problems that fueled a downward spiral in market sentiment — among them a worsening of the Asian financial crisis, a fresh decline in the price of oil, a major Russian export, and stiff resistance in the Russian lower house of Parliament to IMF-mandated economic reforms.

The pessimism has fed on itself as the government appears less and less likely to be able to continue raising the money it needs to pay its obligations. The result has stunned even those who were dubious that the IMF-led bailout

offered a lasting solution to Russia's economic woes.

"My prediction was that the money might have been enough to last six months, maybe a year, and to see this come so suddenly is truly a shock," said Clifford Gaddy, a Brookings Institution specialist on Russia. "What we're seeing here clearly goes beyond the realm of objective economics and into the realm of investor psychology."

The danger now, according to Mr. Gaddy and a number of other experts, is that Moscow will be forced to let the value of the ruble fall from its current rate of about 6 rubles per U.S. dollar as businesses, banks and ordinary investors rush to unload their holdings of

See IMF, Page 13

Japan Corruption Investigation Fizzles

Prosecutions Chastened Bureaucrats, but Old Ways Are Proving Resilient

By Sheryl WuDunn
New York Times Service

TOKYO — Earlier this year, it seemed that a sweeping corruption investigation might send a number of Japan's mighty philosopher-kings, the bureaucrats who largely run the country, to prison.

But these days, despite a cabinet change, nearly the only government employee who has gone anywhere is Katsuhiko Kumazaki, the prosecutor who led a much-heralded investigation into scandals involving expensive free entertainment paid for by businessmen who wanted the bureaucrats' favor.

Mr. Kumazaki, 56, was transferred in June to a remote coastal city, and the investigation seems to have fizzled out. The apparent collapse of the investigation, without snaring many high-level officials, underscores the resiliency

of Japan's traditional way of governing. There has been extensive criticism in the last few years of the Japanese bureaucracy, which makes and carries out policy with far less interference from elected officials than civil servants in many other countries, and there had been an expectation of far-reaching change.

Mr. Kumazaki's investigation did bring about the arrests of more than 30 executives of financial institutions. Four officials of the Finance Ministry and one from the Bank of Japan, the central bank, were also taken into custody on charges of having accepted bribes in the form of entertainment.

More broadly, the investigation seemed to readjust the pecking order in Japan. Traditionally, the most respected elite in the country was the corps of career bureaucrats in the Finance Ministry. But their glory seemed to fade a bit

when Japanese turned on their television sets in the spring and saw images of armies of prosecutors marching into the Finance Ministry, the central bank and the nation's top commercial banks to confiscate boxes of documents.

Now, though, surprisingly little is different. And Kasumigasaki, the Tokyo district near the imperial palace where the government ministries are situated, has emerged only partly chastened.

"The investigation destroyed the common wisdom in Kasumigasaki that being entertained was not a problem, but it ended halfway, and I regret that," said Michio Sato, a member of the lower house of Parliament and a former prosecutor.

Mr. Kumazaki, who is not giving interviews, was not the only man behind

See JAPAN, Page 5

AGENDA

U.S. Court Weakens Tobacco Regulation

RICHMOND, Virginia (Reuters) — A federal appeals court ruled Friday that Congress did not give the Food and Drug Administration regulatory jurisdiction over tobacco products, reversing a landmark lower-court decision.

"The FDA has exceeded the authority granted to it by Congress, and its rule-making action cannot stand," the judges said in a 2-to-1 decision.

A North Carolina judge ruled earlier that the agency had authority to regulate nicotine as a drug and tobacco products as drug-delivery devices, but could not restrict tobacco advertising. In August 1996, the agency restricted the sale of cigarettes and smokeless tobacco to minors and limited the advertising and promotion of tobacco products.

The Dollar			
New York	Friday @ 4 P.M.	previous close	
DM	1.8016	1.7843	
Yen	146.305	144.9	
FF	6.0385	5.9825	
Pound	1.617	1.6247	
Dollars per pound			
The Dow			
	Friday close	percent change	
— 34.50	8,425.00	— 0.41%	
S&P 500			
— 12.16	1,062.75	— 1.13%	
Nasdaq			
— 12.32	1,790.22	— 0.88%	
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Conservative Pulling Even In California Senate Race

By Michael Janofsky
New York Times Service

SAN FRANCISCO — Less than three months ago, Matt Fong was little known outside California, where he is state treasurer. Now, Republican heavyweights like Newt Gingrich and Trent Lott regard him as a new best friend.

Since he narrowly won the Republican nomination in June to oppose Senator Barbara Boxer's bid for re-election in the autumn, Mr. Fong has pulled virtually even with her in the polls, giving Republican leaders new reason to believe they can gain five seats in the Senate, for a filibuster-proof majority of 60.

Ms. Boxer is in an alarming predicament for a Democratic incumbent at a time when the economy is strong and voter dissatisfaction is not the overwhelming issue it was four years ago. In May the latest poll by the Field Institute, a nonpartisan organization, showed that she held only a slim advantage over Mr. Fong, 47 percent to 43 percent, a statistical tie. In late July, a San Francisco Examiner poll found Ms. Boxer leading by just 43 percent to 40 percent.

Barbara Boxer has the most partisan image of any elected official in California,

said Mark DiCamillo, director of the Field poll. "At this stage, it's a yes-or-no vote on her."

In 1992, the so-called year of the woman in politics, Ms. Boxer won a close race over Bruce Herschensohn, garnering 48 percent of the vote.

She has been consistently regarded as one of the most liberal senators. She has been a champion of abortion rights and gun control. She is also a strong and steady supporter of President Bill Clinton. Her daughter, Nicole, is married to Hillary Clinton's brother, Tony Rodham.

Credentials like that and the possibility that Mr. Clinton could be damaged by the Monica Lewinsky matter have persuaded Republicans to view Ms. Boxer as one of several Democratic incumbents who might be especially vulnerable this year. Thus Mr. Gingrich, the House speaker, has traveled to California to appear with Mr. Fong, and other ranking Republicans are scheduled to follow, including Mr. Lott, the Senate majority leader.

Mr. Fong, 44, a lawyer and a former air force officer, is predicting that he will attract support for reasons beyond Ms. Boxer's approval ratings.

He, too, carries a well-known name in California politics, not only as state

treasurer since 1995 but also as the son of March Fong Eu, a Democrat who was elected five times over 24 years as California's secretary of state.

His mother's popularity could help Mr. Fong win critical swing voters, typically those who are Democrats but conservative and who live outside the urban liberal strongholds of Los Angeles County and San Francisco. She could also help him with Asian-Americans, who are about 5 percent of the electorate in California and tend to vote Democratic.

The election in which Mr. Fong won the Republican nomination was California's first open primary. An open primary is one in which any voter can cast a ballot for his preferred candidate for either party's nomination for any office. In the more usual system, a voter must register as a member of one party before he can vote for his preferred nominee.

Asian-American voters took advantage of the dual-party open primary to play an important role in Mr. Fong's slim victory, 22 percent to 20 percent, over Darrell Issa. A poll of voters in San Francisco found that 90 percent of Asian-Americans voted for a Democrat in the gubernatorial primary and almost as many also voted for the Republican Mr. Fong in the Senate primary.

Mr. Fong is counting on his expertise as a fiscal manager, his strong support for the military and his conservative social views to persuade voters that the values he holds are closer to the mainstream than those held by Ms. Boxer.

Ms. Boxer points to Mr. Fong's opposition to gun control, campaign finance reform and laws that protect the environment to characterize him as out-of-touch.

"The biggest threat I face is not Matt Fong. It is voter apathy," she said Thursday, predicting that a higher turnout would help her, adding, "The state is pretty much evenly divided along party lines. But I think the more I'm compared with him on the issues, the better I'll do."



ECUADOR QUAKE — President Jamil Mahuad comforting a woman in Bahia de Caraquez during a visit to victims of an earthquake which struck 10 days ago.

Teens, Armed and Dangerous

Blacks and Hispanics Found More Likely to Fight

The Associated Press

ATLANTA — Black and Hispanic high school students are more likely than their white counterparts to be a threat to others by carrying weapons or fighting, while whites are more likely to hurt themselves by driving after drinking alcohol, a government study found.

The similarities among teenagers were equally stark: About one in three is involved in fights. Almost one of every five carries a weapon or drives after drinking. Almost one in 10 attempts suicide.

The findings, based on a survey of 16,262 high school students nationwide, were released Thursday by the Centers for Disease Control and Prevention.

"The lesson here is that too many youths continue to practice behaviors that put them at risk — for injury or death now and chronic disease later," said Laura Kann, a chief researcher for the National Center for Chronic Disease Prevention and Health Promotion.

The 1997 study looked at

behavior leading to injury and surveyed teenagers' use of alcohol, tobacco and drugs and sexual and physical activity.

Hispanics were most likely to arm themselves, with 23 percent carrying a gun, knife or club, compared with 22 percent of blacks and 17 percent of whites.

Blacks were most likely to have fought in the previous year, at 43 percent vs. 41 percent for Hispanics and 34 percent for whites.

Whites were most likely to have drunk five or more glasses of alcohol on at least one of the 30 days before the survey: 38 percent of whites said they had, compared with 35 percent of Hispanics and 16 percent of blacks.

Blacks were least likely to mix alcohol and driving. Nine percent drove after drinking, compared with 19 percent of whites and 18 percent of Hispanics.

The differences could be "a marker for socioeconomic status" and urban living, Ms. Kann said.

White teenagers were nearly twice as likely as His-

panics to smoke frequently or chew tobacco, with 20 percent of whites saying they smoked frequently, compared with 11 percent of Hispanics.

Among blacks, 7 percent smoked frequently and 2 percent chewed tobacco.

Six percent of Hispanics had used cocaine in the 30 days before the survey, double the number of whites and nine times the number of blacks. Hispanics also were more likely to have used steroids or injected drugs.

Nineteen percent of whites and 18 percent of Hispanics had tried other illegal drugs such as LSD, PCP, Ecstasy, mushrooms, speed, methamphetamines or heroin.

Only 3 percent of blacks had.

Asked whether they ate the minimum five daily servings of fruits and vegetables recommended for good health, only 29 percent of whites and 28 percent of Hispanics and blacks said they did.

Teenagers at 151 schools filled out confidential questionnaires for the survey.

Fidel Castro Is Alive And Well and 72

His Death Is Reported Periodically

By Mireya Navarro
New York Times Service

MIAMI — The first time Elizabeth Gueis heard that Fidel Castro was dead, she was in school and 6 years old.

"On the radio they said Castro had died," said Ms. Gueis, 32, an insurance agent. "We started to jump up and down, but I got home and it wasn't true."

Since then, she said, she has heard similar reports about 15 times — "that he was dying, that he was in the hospital, that he was in a coma."

"Until I see him in a coffin," Ms. Gueis said, "I won't believe it."

In Miami, the adopted homeland of many Cubans who left their country because of Mr. Castro, his death or near death has been grossly exaggerated periodically for the nearly 40 years that he has been in power.

Every so often a rumor about his impending demise or actual expiration spreads like wildfire, only to be debunked by the appearance of a fit-looking Mr. Castro delivering a six-hour speech.

While exiles try to will him dead, and some have even plotted to kill him, Mr. Castro turned 72 Thursday.

The latest collective disappointment stemmed from an article on July 19 in the Spanish-language El Nuevo Herald, a report that was reprinted by its sister paper, The Miami Herald, and picked up by other news organizations.

In the front-page article, a woman identified as a defecting Cuban surgeon, Dr. Elizabeth Trujillo Izquierdo, said that Mr. Castro had been treated last October for hypertensive encephalopathy, a potentially fatal illness affecting the brain.

The woman, it turned out, had really been a secretary in a Cuban paper factory who suffered from "personality problems," her former husband later said. Roberto Fabricio, El Nuevo Herald's managing editor, said the woman had duped his newspaper, which told readers she had produced college de-

grees, her passport and her Cuban identity card as "proof" that she was who she claimed to be.

Mr. Fabricio said that part of the problem in covering such a story was the limited access to government information in Cuba, where Mr. Castro's health is treated as a state secret. At the same time, any news about Mr. Castro is of immense public interest in Miami, Mr. Fabricio said.

"No one in Miami in terms of the Cuba story is more important than Fidel Castro," Mr. Fabricio said. "The only agent of change that one can identify in Cuba is the death of Castro."

Based on an interview with an exile leader who cited "confidential sources," El Nuevo Herald reported in another front-page article in 1996 that Mr. Castro had undergone surgery and chemotherapy for "extensive lung cancer," and that he had six months to two years to live.

In an interview last week, the leader, Arturo Coho, said he still believed his source, whose identity he said he could not disclose for security reasons because the person is in Cuba.

"There's still a month left," Mr. Coho said. "Let's see what happens."

Luis Fernandez, a spokesman for the Cuban Interests Section, Cuba's diplomatic mission in Washington, called any talk of an illness "lies, propaganda, desire to misinform."

"It's all a grand show to try to confuse and create problems," Mr. Fernandez said. "His health is better than ever."

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POLITICAL NOTES

Thatcher Raises Funds in Iowa

DES MOINES, Iowa — Former Prime Minister Margaret Thatcher of Britain raised nearly \$500,000 for Iowa Republicans on Thursday in an appearance arranged by Steve Forbes, a Republican presidential hopeful.

Baroness Thatcher told a lunch gathering of 450 people who paid a minimum of \$250 each to see her that it was one of the "great advantages of fate" that she was Britain's leader when Ronald Reagan was president of the United States.

"We both believed the same things, and, more than that, we both had the determination not merely to make speeches about our beliefs but to put them into practice when the opportunity arose," she said. The event was designed to raise money for Republicans running for the Iowa Legislature.

Mr. Forbes, who unsuccessfully sought the Republican presidential nomination in 1996 and who has already started preparing an effort for 2000, told a news conference beforehand that Lady Thatcher had been a friend of the family for several years, and I asked and she readily assented "to make the appearance."

Mr. Forbes succeeded his late father, Malcolm, as head of the business magazine Forbes.

Lady Thatcher and her husband, Dennis, flew to Iowa on Thursday after visiting with the Forbes family and the former first lady Nancy Reagan aboard the publisher's yacht in Massachusetts.

Before the steak-and-wine lunch, a few dozen people lined up to be photographed with Lady Thatcher at \$1,000 a shot. (Reuters)

Puerto Rico Backs Referendum

SAN JUAN, Puerto Rico — The Legislative Assembly has given its approval for Puerto Rico to hold a referendum on whether to become the 51st state, although the United States is not bound to honor the results.

The bill for a Dec. 13 referendum was approved in Puerto Rico's Senate on Thursday, a day after passing the House of Representatives. Its sponsor, Governor Pedro Rosello, was to sign it into law Friday.

Under the measure, Puerto Ricans would choose among statehood, independence, independence with a vaguely defined "free association" with the United States or continuing their unusual commonwealth arrangement.

Under the commonwealth agreement worked out in 1952, Puerto Rico's 3.5 million residents are U.S. citizens and eligible for federal aid, but they cannot vote for president unless they live on the mainland and their sole representative in Congress has no vote.

In March, the U.S. House of Representatives passed a bill allowing for a similar referendum. But that bill is held up in the U.S. Senate. (AP)

Quote / Unquote

Madeleine Albright, the secretary of state, speaking at the ceremony for the Americans killed in Kenya: "They were the kind of unpretentious but remarkable people who represent America in diplomatic outposts around the world — people doing their jobs day in and day out, working for peace, strengthening democracy, healing the ill, helping those in need, winning friends for America." (NYT)

Away From Politics

Two boys, aged 7 and 8, who are accused of murdering an 11-year-old girl were released to relatives and will be under electronic monitoring while they await trial on Aug. 28 in Chicago. (AP)

Redbook, a women's magazine, reports that men who are artists, mechanics or truck drivers make the best lovers, though the truckers tend to fall asleep quickly afterwards. Doctors are poor lovers. Men who work with computers are even worse, the survey says. (Reuters)

A man who killed his son during a drunken rage outside his wife's home in 1990 was executed by injection in Raleigh, North Carolina. Zane Brown Hill, 62, spent his last day visiting with his wife, daughter and surviving son. (AP)

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Facing The Truth

Christians and Jews of America must reach for the courage of Jesus and Moses in order to diffuse the spell of mutual distrust that continues to embroil all of the Children of Abraham.

Their frequently misplaced righteousness and one-sided sense of moral culpability perpetuate the painful plight of every innocent victim in the Holy Land.

America's Christian and Jewish leaders should set aside their concern for political correctness and relinquish the evasive tactics of the past. Unless they take hold of the fast-deteriorating situation in the Middle-East, Israel's self-inflicted isolation and escalating abrasiveness will lead to further suffering and vindictive bloodshed in what was once the land of milk and honey.

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South Korea Fetes Its 50th

During Tough Times, Hopes for a Second 'Miracle'

By Don Kirk
International Herald Tribune

SEOUL — Suddenly an often-criticized leader from the desperate era of the Korean War is emerging as a respected figure among South Koreans looking for the origins of the "Korean miracle" during a period of economic turmoil.

The legacy of Syngman Rhee — Lee Syng Man to Koreans — assumes fresh significance as Koreans celebrate the 50th anniversary Saturday of the day Mr. Rhee became the first president of the newly formed Republic of Korea.

"He was the architect of modern Korea," said Lee Young Ik, director of the Institute for Modern Korean Studies at Yonsei University and author of a book on Mr. Rhee. "He was the best prepared man to lead Korea through the war and into the new era of peace."

The new respect accorded Mr. Rhee, whose rule became increasingly autocratic until he was forced into exile by student-led riots in 1960, is just one aspect of an outpouring of patriotism surrounding the founding of the Republic of Korea, the formal name for South Korea.

It is as if the celebrating might in some way ease the pain of what Koreans call the "IMF crisis," the enormous shortfall of funds that forced Seoul to ask the International Monetary Fund in December for a rescue package of nearly \$60 billion in loans.

"In the last half century, Koreans have recovered their pride," said Kim Ki Hwan, ambassador-at-large and a key figure in arranging the IMF negotiations.

For the past two weeks, South Korean flags have been sprouting from taxis, apartment buildings, shops and factories as citizens remind one another of just how far the country has advanced from the years of abject poverty and suffering brought on by the Korean War.

"In 1948 we established a new government with a bright future," said Choi Kyu Hak, a director at the

Korean Overseas Cultural and Information Service. Half a century later, Korea's leaders are saying the country can do it all over again.

"Let us begin the second nation-building," President Kim Dae Jung plans to tell the nation at ceremonies Saturday, urging Koreans to believe in everything he has been asking, ranging from economic restructuring to exchanges with the North.

For some specialists studying the era of the first president, realization of how far South Korea has advanced is enough to inspire confidence.

"This anniversary is a very significant turning point," said Choi Chong Ko, who teaches legal history at Seoul National University. "Now we can remember Rhee Syngman as a very great man in our history, especially in politics and human relations. We can look back on what he did and in the long run have an optimistic view."

The show of nationalism this year transcends the usual patriotism displayed on Aug. 15, also the official national day marking the anniversary of Japan's World War II surrender and the end of 35 years of Japanese rule over the Korean Peninsula. Newspapers have been serializing histories of South Korea's leap from poverty and suffering to relative prosperity, and television documentaries have been dramatizing the success of a country that appeared by the end of the war in July 1953 to be incapable of surviving on its own.

The government is whipping up the spirit with a commercial featuring the champion golfer Pak Se Ri taking off her shoes before stepping in the water and chipping the ball from the rough, all to background voices singing a song once adopted by anti-government radicals. "Although we have a long way to go," run the lyrics in rough translation, "in the end we can triumph."

On the streets of the capital, Koreans mingle pride with concern as they look back on a turbulent history marked not only by war but also by military dictatorship.

coups, anti-government demonstrations and labor unrest as well as the emergence of democratic forms of government.

"We are having difficulties and suffering from unexpected problems like the floods," said Kim Young Jin, referring to torrential rains that have taken the lives of nearly 200 Koreans, devastated 46,000 hectares (114,000 acres) of farmland and left thousands homeless.

"I only hope the anniversary will not be undermined because of all these problems."

The shopkeeper has flown a pair of Korean flags above the door of his store since Aug. 1.

"Every year I fly the flags the day before," he said, "but this year is different, so I put them up earlier."

Seoul Frees 103 Prisoners Who Signed Oath

The Associated Press

SEOUL — President Kim Dae Jung approved a sweeping amnesty Friday that freed 103 political prisoners who had signed an oath to obey South Korean laws, including one that makes it a crime to espouse communism.

The amnesty, which affects more than 7,000 people in and out of prison, will take effect Saturday, the 53rd anniversary of Korea's independence from Japanese colonial rule in 1945.

South Korea has marked past anniversaries with similar pardons.

Missing from the list of those

granted amnesty were an estimated 400 political prisoners, including 17 who have served 30 years or more behind bars, often in solitary confinement. They refused to sign the oath.

The 103 political prisoners who did vow to obey the law were among 2,174 inmates to be freed. Thirteen more inmates will have their prison terms reduced, and 4,820 people will have their civil rights restored.

"The amnesty is aimed at achieving a grand national reconciliation in the midst of a national economic crisis," Justice Minister Park Sang Chun said in a nationally

televised news conference.

But human rights groups expressed disappointment, saying that many political prisoners chose to remain in jail rather than swear to obey draconian security laws as a prerequisite for release.

"The oath requires prisoners to respect the national security law — a law which is used frequently to jail people for exercising their freedom of expression," London-based Amnesty International said.

South Korea's largest human rights group, Minkahyup, also denounced the oath, saying that many political prisoners regard it as humiliating.

"How can they swear an oath to obey the very law against which they have fought?" asked Nam Kyu Sun, a Minkahyup spokeswoman. South Korea's national security law bans any activity that might benefit its enemy, communist North Korea.

The law has often been used by past military governments to suppress political dissent. It is so broadly interpreted that even possession of Marxist literature is a crime.

The 17 long-serving political prisoners were convicted of being North Korean spies in the 1950s and 60s.

Levee Around China's Major Oil Field Bursts

The Associated Press

BEIJING — A levee protecting China's largest oil field gave way Friday, prompting thousands of people to evacuate as floods spread to the country's northeast, the state-run Xinhua news agency reported.

Heilongjiang, an industrial and agricultural province that borders Russia, mobilized a million civilians and soldiers for a "round-the-clock fight" against the flooded Nen and Songhua rivers, Xinhua said.

More than 200,000 people were fighting flooding in Daqing, where the oil field is located. About 20,000 people were evacuated and no casualties were reported from the breach in

the dike, which expanded to 1,650 feet (500 meters) by midday, Xinhua said.

The floods forced the closure of 155 of Daqing's nearly 20,000 oil wells, and workers were building a barrier near the oil field to protect it, the report said.

Rescue workers also were evacuating more than 20,000 people stranded after floods washed out railroad tracks in Heilongjiang, state media said.

More than 2,000 people have been killed and millions have been left homeless in the worst floods in 44 years. In Hunan Province, one of the worst-hit regions, 625 people have been killed, Xinhua said.

A flood near Aksu, in the northwestern region of Xinjiang, killed four people and left dozens missing Thursday, inundating an area inhabited by about 100,000 people, the official Workers Daily reported.

Floods and landslides also forced the closure of a major rail line in the northwest, between Xinjiang's capital, Urumqi, and the city of Lanzhou, the reports said.

With a rain belt stretching across central China, floods were predicted to continue and to worsen in the northeast and along the Huang River, which was expected to become dangerously swollen in the next few weeks, the China Daily reported.

18 Activists Sentenced in Burma and Thrown Out

The Associated Press

RANGOON — Moments after sentencing 18 foreign activists to five years of hard labor Friday for handing out democracy leaflets, Burma's military government said they would be deported Saturday.

The drama of the seven-hour trial was enhanced when immediately after a judge read out the prison terms, the lights in the Rangoon courtroom suddenly went out. There was murmuring among the diplomatic observers, who appeared shocked at the severity of the sentences.

After a few moments' delay, the lights came back on, and an official from the Ministry of Home Affairs strode to the front of the courtroom and read an order reducing the sentences.

The order, signed by Home Affairs Minister Tin Hsing, said the activists — six Americans, three Malaysians, three Indonesians, three Thais, two Filipinos and one Australian — would be expelled on the condition they would not violate Burmese laws again.

If they did, he added, they would have to serve out any future prison terms passed upon them together with the five years from this offense. He asked diplomats from the activists' home countries to arrange for their deportations.

The defendants, who appeared solemn when the judge read the original sentence, jumped up, embraced one another, shook hands and thanked those around them in the courtroom.

They were also embraced by diplomats from their respective countries, who attended the trial in a small concrete courthouse outside the walls of Insein Prison north of Rangoon.

In Washington, the White House spokesman, Michael McCurry, said the United States was relieved by the decision to deport the activists. "While we're pleased that these American citizens will be returning to the United States, this episode is a reminder that there is an absence of protection of human rights in Burma and a failure of the Burmese government to allow freedom of expression," Mr. McCurry said.

A U.S. Embassy spokeswoman said all 18 detainees would be leaving Rangoon on Saturday for Bangkok. They would spend their last night in the Burmese capital in a police guest house.

Kobsak Chutikul, a spokesman for Thailand's Ministry of Foreign Affairs, said "We feel a sense of relief that our people will be coming out safely. We also feel the Burmese have demonstrated a sensitivity to the concerns of the international community, and in particular its ASEAN neighbors."

The Association of South East Asian Nations, which ignored international outcry over Burma's human-rights record last year to make the country a member, has more diplomatic influence with the ruling generals than Western countries do.

The activists were detained Sunday, the day after the 10th anniversary of a failed nationwide democracy uprising, for handing out small cards to Burmese citizens telling them the outside world supported their struggle and not to give up.

Burma has been ruled by the military in various guises since 1962. More than 3,000 demonstrators were gunned down during the 1988 uprising.

The foreigners were charged, after six days of questioning and investigation, with violating section 5j of the 1950 Emergency Provision Act.

The sweeping law allows for maximum 20-year jail terms for inciting, unrest and disturbing the peace and tranquility of the state.

The reduction in sentences seemed to be helped by a defendant, Chong Kok Wei, a 27-year-old Malaysian man, who appealed to the judge.

He said he and his colleagues meant no harm to the Burmese people, did not intend to incite unrest and were unaware of the local laws.

The official from the Ministry of Home Affairs then read the order deporting them.

Tailwind Spurs Balloon In Global Flight Quest

The Associated Press

ST. LOUIS, Missouri — Steven Fossett's solo attempt to circle the globe in a balloon has enjoyed a renewed lift, thanks to a fast-moving easterly wind.

Mr. Fossett's speed roughly doubled Friday as his balloon, the Solo Spirit, soared toward Australia from its starting point in Mendoza, Argentina, according to the project's mission control at Washington University in St. Louis.

Mr. Fossett managed to push the balloon up to its highest altitude so far, 28,800 feet (8,780 meters), catching the most favorable wind yet in his battle to get away from a troublesome high-pressure area that threatened to stall his progress. On Thursday, the balloon had been languishing at about 60 kilometers (37 miles) per hour over the Indian Ocean.

"The last three days have been an exercise in altitude selection," said Bob Rice, chief meteorologist for the project. "Steve's successfully worked his way through three separate traps. We're still in the hunt for a global flight."

The Chicago millionaire, making his fourth attempt to fly around the globe, is approaching the halfway point. Mr. Fossett, 54, is not in voice contact with his ground crew. But electronic mail relayed by satellite indicated that his mental condition, which had been a concern to crew members, had improved with some sleep.

"Fuel O.K., oxygen O.K., got four hours of sleep last night and physical condition is very good," Mr. Fossett wrote in a message.

10 More Crosses at Auschwitz

Poles Defy Appeals by Cardinal and Jewish Groups

Agence France-Press

WARSAW — Roman Catholic activists have planted 10 more towering crosses near the former Nazi death camp at Auschwitz, where Jews from throughout Europe and tens of thousands of Polish Christians were murdered by Germans during World War II.

The Christians who put up the crosses ignored pleas by Poland's top church official and international Jewish groups, the Polish News Agency reported.

Catholic Solidarity unionists and Canadian and U.S. activists of Polish descent erected the crosses, which are 4 meters (13 feet) tall and join 100 others.

Their actions have angered Jewish groups worldwide, which argue that the crosses contravene a ban on political, ideological or religious symbols near the camp.

The Israeli government and the Yad Vashem Holocaust Memorial in Jerusalem have asked that the crosses be removed.

The action came despite a plea Tuesday by the Polish primate, Cardinal Jozef Glemp, that Catholics refrain from putting up more crosses.

The cardinal stressed in a statement the action "devalues the cross as a religious symbol."

The Polish bishops conference will decide what to do

about the situation at its next meeting, on Aug. 26.

Catholic activists want to put up a total of 152 wooden crosses around a controversial 8-meter wooden crucifix near the death camp to commemorate 152 Catholics executed in the camp in 1941.

The growing display of crosses stands in front of a former convent that closed down because of similar complaints.

The main cross, which had adorned the altar of an open air mass at Auschwitz held by Pope John Paul II in 1979, was erected 10 years later near the former death camp.

In a letter to Prime Minister Jerzy Buzek, the president of the Holocaust Museum in Washington, Miles Lerman, said removal of the crosses was a condition for renewing talks on the "Auschwitz Charter."

That document, under preparation, will define the status of the death camp and its relationship to the residents of the camp area.

BRIEFLY

Wellington Government Teeters in the Balance

WELLINGTON — The New Zealand government's future was in doubt Friday after Prime Minister Jenny Shipley dismissed Winston Peters, the treasurer and deputy prime minister whose party is a key member of her coalition.

Ms. Shipley, who leads the majority National Party in the center-right government, said she was prepared to continue in a National Party minority government if differences with Mr. Peters' New Zealand First party could not be resolved.

Ms. Shipley's National Party has 44 seats in the 120-seat Parliament but can rely on another 10 independent and rightist legislators to back her on key issues of confidence and fiscal supply.

Taliban Tries to Talk Rivals Into Surrender

KABUL — Taliban fighters said Friday that they wanted to use persuasion, not force, to take their opposition's few remaining strongholds in Afghanistan.

"We don't want more people to die," said Mullah Abdul Satar, the Taliban general commander at the front line just north of Kabul, the capital. "We are ready to fight,

but we want to prevent human casualties."

Mr. Satar said he was in touch with several opposition commanders, trying to persuade them to open the key Salang Highway leading north from Kabul. Mr. Satar said the opposition has no more reason to resist now "that we have 90 percent of the territory of Afghanistan." (AP)

Peru Hopes for Accord Over Ecuador Border

BUENOS AIRES — President Alberto Fujimori of Peru said Friday that he hoped a peace accord with Ecuador could be signed within weeks, ending a half-century border conflict that sparked three shooting wars.

On a whirlwind round of South American diplomacy, Mr. Fujimori sounded up border tensions that erupted when Peru said some 300 Ecuadorian troops had entered its territory in a "clear provocation."

Peru subsequently refused to continue talks to end the border standoff until Ecuador withdrew troops from a disputed zone. Ecuador maintained that its troops were out in Peruvian territory and had refused to remove them.

With President Carlos Saul Menem of Argentina at his side, Mr. Fujimori said in Buenos Aires that it was "realistic to think that a final accord could be signed in September." (AP)

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State-of-Art Embassy in Jordan Trades Pulse of City for Peace of Mind

By Lee Hockstader
Washington Post Service

AMMAN, Jordan — When it opened in 1992, the U.S. Embassy in Jordan was immediately dubbed "Fort Apache" by some of the diplomats who worked there.

Fort Knox is more like it. A security-man's paradise, the state-of-the-art embassy meets every safety standard U.S. experts could dream up: solid steel doors, some thick enough to withstand a half-hour assault by machine guns and battering rams, windows and walls designed to repel artillery rounds and bunkered havens stocked with enough provisions and communications equipment to keep trapped dip-

lomats alive and in touch for more than three days.

And unlike the U.S. embassies in Kenya and Tanzania, where bombs last Friday killed 257 people, the embassy in Amman sits atop a hill, regally remote from the sweltering city below.

"There's a lot to be said for a facility like this," an American diplomat said. "When you look at TV and what happened in Kenya — no one ever gets anything like that close to this embassy."

The trade-off is that the facility here is not universally acclaimed as a user-friendly place, especially for Jordanians. Spread out over about 5 hectares (12 acres), and set far back from the surrounding roads, the \$50 million embassy

has the grandeur of a palace — and can be nearly as intimidating.

In a city of 1 million people, the embassy is within walking distance of practically no one. Some locals, who watched warily as the embassy took shape on a former sheep pasture during the Gulf War, suspected that a huge round warehouse in the back of the complex was a missile silo.

For Americans who work there, the embassy is a mixed bag.

True, it is safer, and it has improved efficiency by gathering together seven or eight facilities, agencies and departments that had been spread out all over the city before 1992.

"But if you're supposed to be out and about," said one American diplomat

who knows Amman well, "then it's a bit isolated."

Before the embassy opened July 4, 1992, most U.S. diplomats worked in a cramped office building in the center of town, across the street from the Intercontinental Hotel. A small car bomb had exploded in the hotel's parking lot, so the old embassy's facade was heavily sandbagged.

But Jordan, a moderate Arab country and a major recipient of U.S. assistance, is not considered an especially risky posting for Americans, and the old embassy felt the city's pulse.

Applications for visas to the United States would drop by on their lunch breaks to pick up a form. Diplomats wandered out at lunchtime to the grill-meat sandwich stands down the corner. A block away, at a low-security building that housed the American Cultural Center and the U.S. Information Service, an elderly security man seated behind a desk nodded lazily at visitors coming and go-

ing to the library, English lessons, lectures, movies and conferences.

"It was easy access, and it was very nice," said Khalwa Abu-Qura, who worked at the U.S. Information Service in the late 1970s and early 1980s. "Every six months they'd send somebody from Washington, a security officer, to check the fire escapes and change the doors."

"That's all changed now," she added. "Now it's, my God, even though they know me and I have business there, I have to go through so many doors and gates. It's intimidating."

Construction on the new embassy in Amman began in 1988, five years after the devastating bombing of the U.S. Embassy in Beirut and shortly after a commission headed by a retired admiral, Bobby Inman, urged that security at U.S. facilities around the world be radically reinforced.

Admiral Inman's detailed recommendations were incorporated into the

design and placement of the Amman embassy. But when construction began, some diplomats were concerned that it was too far from the center of town. The only other major buildings within hundreds of yards were the British Embassy and a private club. Sheep wandered through the construction site.

In the new embassy, everything was consolidated. The complex appeared so vast, in fact, that it seemed to some like overkill. At the time just 90 Americans and 150 Jordanians worked full time at the embassy.

But today there are more than 125 full-time Americans, plus many others who rotate through on short assignments. About 230 Jordanians work there.

What's more, the opening of the embassy has heralded a local real estate boom. Roads have been improved and luxury villas built in the neighborhood — along with new headquarters for the Jordanian ministries of transportation, communications and public works.

Mourners Flock to Kenya Bomb Site

The Associated Press

NAIROBI — In a show of unity and grief, Christians and Muslim members of the Kenyan Parliament laid a huge wreath of red and white roses Friday at the site of the U.S. Embassy bombing.

The legislators sang "We Shall Overcome" and prayed for unity and tolerance. Nearby, an FBI evidence response team labored over debris with rakes, continuing their search for evidence.

With rescue operations wrapped up

and the death toll apparently fixed at 257, the focus Friday was on cleanup work and the all-out push to learn who perpetrated the nearly simultaneous bombings in Nairobi and in Dar es Salaam, Tanzania, on Aug. 7.

"It will take at least four more weeks to complete examination of both bomb sites and witness interviews, and from that we will develop leads," Thomas Pickard, the assistant FBI director, said in Washington.

In another sad pilgrimage to the ruins, a group of Kenyan women, each carrying a red or white rose and many weeping, offered prayers for the dead at an ecumenical service. "Women in Pain," read a banner they carried.

Meanwhile, a warning from the U.S. State Department against visiting Kenya also created ill will. Tourism is vital to Kenya's economy and there were fears the warning would deal it a crippling blow. The U.S. ambassador, Prudence Bushnell, announced Friday that the warning had been lifted.

On Thursday, Sheila Horan, the FBI special agent in charge of the investigation, said investigators had gathered "very critical and important information" on the bombers' identities.

The FBI has 215 agents, lab examiners, evidence technicians, computer specialists, photographers and translators in Kenya and Tanzania, Mr. Pickard said in Washington, and a British forensic team was expected to join the 22 FBI lab examiners to Kenya and Tanzania shortly.

Mr. Pickard said agents on the scene had 700 interviews to conduct in Nairobi and 200 in Dar es Salaam.

Albright Going to Africa

Secretary of State Madeleine Albright said on Friday she would travel to Kenya and Tanzania over the weekend to visit the sites of two massive embassy bombings last week that killed more than 250 people, Reuters reported from Washington.

Officials said Mrs. Albright was expected to leave Washington on Sunday and visit Tanzania first, Kenya second.

U.S., Citing Islamic Threats, Closes Embassy in Albania

Reuters

TIRANA — The United States temporarily closed its embassy in Albania on Friday, a week after two U.S. embassies in Africa were attacked by bombs.

American diplomats cited a potential Islamic terrorist threat as the reason for the closing. An embassy spokesman said the decision was made after threats by Islamic militants against the United States and press reports that the United States had been involved in the arrest of Islamic fugitives in Albania, a largely Muslim country.

The spokesman said the State Department had ordered all nonemergency personnel and employee dependents to leave.

It also issued a warning to U.S. citizens to general about the dangers of

traveling in Albania at this time.

"Given recent declarations by Islamic extremists against the United States and its citizens and press reports alleging U.S. government participation in the recent apprehension and detention of several Islamic extremists, it is possible that U.S. Embassy facilities in Tirana, Albania, could be among the targets of a terrorist attack," the spokesman said.

Four Islamists were arrested in Albania and extradited to Egypt last month in operations reported by the Tirana press to have been conducted with the assistance of the U.S. Central Intelligence Agency.

An Interior Ministry source said that three of those apprehended in Albania were suspects in a massacre last November that took the lives of 58 tourists and four Egyptians in Luxor, Egypt.

French Conservatives in New Turmoil

By Craig R. Whitney
New York Times Service

PARIS — France's conservatives, defeated last year by Prime Minister Lionel Jospin's Socialists, are reeling again after one of their leaders cut his party membership card in two publicly Friday to protest the party's decision to take in a regional assembly president who accepted support from the extreme right to keep his post.

Gilles de Robien, former parliamentary floor leader for one of the conservative umbrella groups that supported Mr. Jospin's predecessor, Alain Juppe, snipped his plastic Liberal Democracy Party card during a France 3 television broadcast. "I have nothing more to do with this family, which has no more republican ideals," he said.

The party, led by former Finance Minister Alain Madelin, admitted Jacques Blanc, president of the assembly for the Languedoc-Roussillon region, on Thursday.

Mr. Blanc and two other conservative regional assembly leaders were expelled from the mainstream conservative umbrella group, the Union for French Democracy, in March after they accepted support from the far-

right National Front to keep their posts despite conservative losses to the Socialists and other leftist parties in regional elections.

Mr. de Robien had once been parliamentary floor leader for the Union for French Democracy, which splintered after the regional elections because Mr. Madelin and his party opposed the expulsions.

Concerned about the turmoil in conservative ranks, President Jacques Chirac, the only conservative leader still holding national office, gave his blessing in May to the foundation of a new umbrella organization called the Alliance. But the Alliance appeared increasingly shaky after the latest squabble, with some prominent members saying they no longer considered Mr. Madelin's group a part of it.

Many mainstream conservative leaders maintain that they can never again win a majority in national elections unless they either accept tacit support from the National Front or woo the people who vote for it by supporting stronger policies to control immigration and crime.

The National Front, led by Jean-Marie Le Pen, has a platform calling for the return to their countries of origin of the

millions of immigrants who have come to France since the end of colonialism. The National Front blames unemployed youths in ghettoized French suburbs for much of the country's domestic crime problem, and says that "native French" people should have preference for jobs and welfare benefits.

Mr. Le Pen is also against moves that surrender French sovereignty to further European integration, pledging to restore border controls with France's EU neighbors if he comes to power and denouncing the common European currency that is to start next year.

Prominent supporters of Mr. Chirac share at least a few of these ideas, making the issue of how to deal with the National Front one of the conservatives' most difficult dilemmas. Mr. Blanc said Friday that the controversy over his admission was "a lot of blather over nothing."

Just as difficult, some conservative legislators say, is how to build an effective opposition when their leader, Mr. Chirac, is forced to work with the Socialist government by the terms of the 1958 French Constitution — designed for Mr. Chirac's mentor, the late Charles de Gaulle, who never found himself in that awkward position.



Laurent Kabila, Congo leader, leaving a resort in Zimbabwe a week ago.

CONGO: Thousands Are Fleeing Capital

Continued from Page 1

details about the action, but Western witnesses saw airplanes taking off from Goma on Friday, and a foreign military expert and a local aviation specialist here both confirmed that there was an abundance of mysterious flights from the east.

What the rebels have accomplished so far has been done with surprisingly scant means. According to Angolan soldiers who visited the strategic western port city of Boma, by the border with Angola, rebels were holding that town with as few as 100 men.

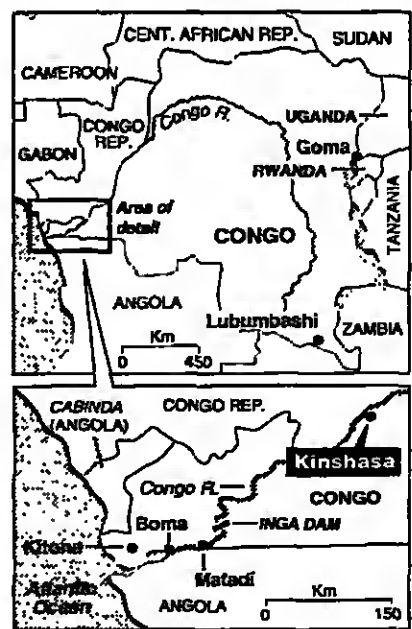
Similarly, the nearby provincial capital of Matadi, a major western city, "fell" to the rebels Thursday after a relatively minor clash.

By all accounts, government soldiers in the area far outnumbered the rebels, but panicked and fled their positions, looting shops and vehicles in their path.

On Friday, to general disbelief, the government announced that much like the Inga dam, it still controlled Matadi.

"Kabila made the mistake of counting on numbers rather than quality when he put together his army," said one Congolese colonel who gave the regime little chance of defeating the rebels.

"They discarded the notion of elite corps and specialization, destroying everything they found without distinction. The problem now is that our neighbors have serious armies with experienced



units, and it is easy for them to dominate us."

The notion of foreign domination has always been at the heart of this conflict, with Mr. Kabila, himself installed a year earlier to the same kind of operation, complaining bitterly of an invasion by neighboring Rwanda, with the help of Rwanda and perhaps Western benediction as well.

JAPAN: Corruption Investigation Fizzles

Continued from Page 1

the investigation. But as the head of the Tokyo prosecutor's office, he essentially directed it. His transfer brings the inquiry substantially to a close.

These days, he works in a city that is bypassed by the bullet train, where only six flights a day land at the airport. Back in Tokyo, the lights in the special prosecutors' offices go out early. There has not been a prominent arrest in months.

Although Mr. Kumazaki's investigation has apparently fizzled, there is some possibility that there will be other efforts to crack down on bankers and bureaucrats, as a result of the government's plans to clean up the banking system.

Those plans, which could be carried out in the autumn if approved by legislators, may lead to disclosures of unsound or dishonest banking practices and bureaucratic complicity to those practices.

In any case, Mr. Kumazaki's investigation did have one long-term consequence. It made bureaucrats far more careful about accepting meals or entertainment from executives.

Their resistance about accepting dinners arises in part because prosecutors like Mr. Kumazaki pounced on bureaucrats on suspicion that they had accepted bribes that were not in cash but in the

form of regular dinner invitations, lunches and golf outings. No cash ever changed hands, and the dinners in some cases amounted to several hundred dollars — which is not an outlandish figure in Tokyo's high-priced restaurants.

For the Finance Ministry mandarins, though, probably the worst part of the punishment was that their names were published in the newspapers, along with the punishments received.

Ministry officials say that morale is low and that attitudes are indeed changing. The Finance Ministry and the central bank are not attracting the elite graduates the way they used to. The best students are taking jobs elsewhere.

"This is a kind of cultural revolution in Japan," said a senior Finance Ministry official, who spoke on the condition of anonymity. The investigation "destroyed the old establishment."

But critics say such sentiments will be short-lived, mainly because business entertainment has been part of the Japanese culture for a long time.

"I think things will go back to the old-fashioned way," said a Japanese journalist who covers the courts and the prosecutors for a major daily newspaper. "Entertaining has been a part of the Japanese custom for several centuries. I don't think it will go away just because of the current investigation."

CLINTON: Testing the Mood for Telling All or Maybe Just a Little

Continued from Page 1

fession from the president might reduce the threat of impeachment hearings based on a report to Congress from Mr. Starr.

Even if the strategy of acknowledging some sexual activities with Ms. Lewinsky succeeds in inoculating Mr. Clinton from perjury problems, he may face other legal shoals. Mr. Starr's grand jury has been investigating whether Mr. Clinton might have obstructed justice if he discussed with Ms. Lewinsky ways that she could conceal a sexual relationship and avoid having to turn over gifts that he had presented to her.

After Mr. Clinton testifies on Monday, what else he should say is a subject of considerable debate. Some aides have argued that he could blunt the political repercussions by offering the public at least a brief explanation of his relationship with Ms. Lewinsky.

Other Clinton advisers, including some outside the White House, have argued that he should say as little as possible about his testimony — that he should not do much more than smile and announce that he is leaving on vacation.

An option that is increasingly being considered would be for the president to testify that he was telling the truth last January when he followed a precise definition of sexual relations that the presiding judge had approved in the Jones sexual misconduct lawsuit.

Under that definition, some advisers believe, Mr. Clinton could plausibly assert that his contacts with Ms. Lewinsky did not constitute sexual "relations."

The issue of how to deal with the testimony Mr. Clinton gave testimony in the Jones case in January is such a critical matter that Mr. Kendall reviewed a videotape of the testimony. He had already seen a transcript.

In that deposition, when the president was asked whether he had an affair with Ms. Lewinsky, his response seemed to be straightforward: "I have never had sexual relations with Monica Lewinsky. I've never had an affair with her."

But Mr. Clinton was responding to a definition of "sexual relations" that was prepared by Ms. Jones's lawyers and then narrowed by U.S. District Judge Susan Webber Wright.

Specifically, Ms. Jones's lawyers asked Judge Wright to allow them to use a three-part definition of sexual relations when it came up in the case:

(I) Contact with the genitalia, anus, groin, breast, inner thigh, or buttocks of any person with an intent to arouse or gratify the sexual desire of any person; (II) Contact between any part of the person's body or an object and the genitalia or anus of another person; or (III) Contact between the genitalia or anus of the person and any part of another person's body. "Contact" means intentional touching, either directly or

through clothing.

Mr. Clinton's lawyer, Robert Bennett, objected, arguing that the definition was too broad and could include such benign activities as handshaking. Judge Wright agreed and limited the definition to Part I, excluding the other two.

This article was also reported by James Bennet, Neil A. Lewis and David E. Sanger.



Monica Lewinsky, focus of a crisis.

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IRAQ: U.S. Pressured UN

Continued from Page 1

give "immediate, unconditional and unrestricted" cooperation to the inspection teams.

That last resolution, at U.S. insistence, promised "the severest consequences for Iraq" for further defiance.

Last week, as Mrs. Albright reportedly sought to rein in Mr. Butler, the administration was renegeing from the vows it made six months ago to strike immediately and with significant military force if Iraq failed to honor a Feb. 23 agreement that resolved the last such crisis over inspections.

At that time, administration spokesmen described a "snap back" policy of automatic military retaliation if President Saddam Hussein violated his agreement with Secretary-General Kofi Annan.

Now the administration argues, as a White House spokesman, P.J. Crowley, said this week, that Iraq is proposing "a cat-and-mouse game" and "we're not going to play." He said the United States would continue its "encouragement" of Iraq's compliance with its obligations and would not allow economic sanctions to be lifted until it did so.

Mrs. Albright, in a one-sentence statement issued through a spokesman, said Wednesday night: "U.S. policy has been to fully support UNSCOM in its inspections, and I have never told Ambassador Butler how to do his job."

She and those speaking for her declined to answer further questions about her Aug. 4 "private discussions" with Mr. Butler and would not address specifically whether she had advised him to cancel the planned raids.

Mr. Butler, reached by telephone, said any suggestion that he received orders from Mrs. Albright would be "a very considerable distortion of what took place."

"No member of the council, including the United States, has purported to give me instructions," he added. "They all recognize that their job is policy, my job is operations."

Asked whether Mrs. Albright urged him or advised him not to go forward, Mr. Butler said any answer "would be a very slippery slope" to which "I'd have to tell you what the Russian ambassador said, what the French ambassador said. Forgive me, but I won't get into that."

Beginning in June, according to knowledgeable officials, the UN inspectors developed secret plans for surprise raids at two sites where they believed they would find evidence of forbidden chemical and biological weapons and the ballistic missiles capable of deploying them. The officials declined to describe the sites further, noting that they are still in operation.

Mr. Butler dispatched senior lieutenants to London and Washington in late June to provide highly classified briefings on the intended inspection "targets," the sources said.

Formerly, Mr. Butler reports equally to all members of the Security Council and does not give them advance operational plans. But one official said Mr. Butler understands "it's suicide to go forward with an inspection like this without informing his principal sponsors, the United States and Britain."

The two governments, according to knowledgeable officials, acknowledged to Mr. Butler's deputies that the UN commission had the right to make its own decisions. But they worked in concert to the weeks that followed to dissuade Mr. Butler from going forward with the inspection plan.

After a meeting with Ambassador Peter Burchfield, the second-ranking U.S. delegate to the UN, Mr. Butler was left with the plain understanding that Washington did not support his plan.

Mr. Butler canceled the raids in July but laid contingency plans to reschedule them this month after meetings Aug. 3-4 in Baghdad with Deputy Prime Minister Tariq Aziz. Mr. Aziz announced late on the first day that Iraq would answer no further questions about its forbidden weapons, asserting that all the answers had long since been made.

On Aug. 4, Mr. Butler notified the U.S. government that he had authorized a team to conduct the raids Aug. 6. That same day, he got word that Mrs. Albright wished to speak with him and traveled to the U.S. Embassy in Bahrain for a secure telephone discussion. Mrs. Albright argued, according to knowledgeable accounts, that it would be a big mistake to proceed because the political stage had not been set in the Security Council.

Mr. Butler agreed to a three-day delay to hopes that he could build broader support during informal consultations with the Security Council. But after he briefed the council governments in New York, he got another high-level American call urging him to have the inspection team stand down. The same day, he ordered the inspectors home.

EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Russia's Ailing Economy

The ailing Russian economy seems to have nine lives, but they are rapidly running out. The latest crisis, less than a month after the International Monetary Fund provided a new bailout, is bank-based.

Russian banks owe lots of dollars and are having trouble paying them back.

With some banks needing to repay loans this coming week, and with foreign lenders demanding additional collateral to roll over the loans, the banks appear to have been bailing out from the Russian central bank as fast as they could early this past week. The central bank clumsily tried to impose new restrictions on such transactions, only to provoke a new crisis of confidence.

The result Thursday was a virtual breakdown of Russia's financial markets, particularly for most government bonds. That makes it impossible to determine how much banks' bond portfolios are worth, a fact that makes lenders nervous. But to repay their loans, the banks need to sell their bonds.

All of this is happening when it is too soon to know whether Russia's latest reform efforts are working. The government says tax receipts are up sharply, which is encouraging but not conclusive.

Foreign currency reserves have increased, but that may be meaningless if the bank crisis intensifies.

George Soros, the international

money manager, weighed in Thursday with an innovative but unrealistic proposal for Russia to devalue the ruble by 15 to 25 percent and then adopt a currency board. Such a scheme would require Russia to set aside enough foreign currency to redeem all rubles in circulation.

The depressed price of oil, Russia's principal export, may have left the ruble overvalued, and devaluation may yet be necessary. But a currency board seems impractical. Mr. Soros estimates conservatively that Western nations would have to put up \$15 billion or so, on top of the money already committed by the IMF. More importantly, a currency board would effectively hand over Russia's monetary policy to the foreign central bank administering the currency to which the ruble was tied.

Selling that idea to the Communist-dominated Russian Parliament would probably be impossible.

An immediate answer to the current crisis must involve a willingness by foreign banks to be flexible regarding their loans to Russian banks that are suffering from a liquidity squeeze but are otherwise solvent. The longer-term solution, though, is unchanged. The Russians must proceed with economic reform, and show the world they can do it successfully. Parliament should stop stalling and pass needed tax reform bills immediately.

—THE NEW YORK TIMES.

Moderates on the Hill

With Congress in recess, Washington is filled with threats of another government shutdown over the budget in October. Underneath the surface, however, a fragile majority of moderate Democrats and Republicans is emerging in both the Senate and House that could set a less confrontational tone when lawmakers return in September. On budget issues, moderate Republicans are warning sensibly against big new tax cuts and spending reductions in essential areas. It would be healthy for Republican leaders to pay attention.

Passage of the Shays-Meehan campaign finance legislation owed much to independent-minded Republicans in the House. In that vote, more than 60 Republicans ignored Newt Gingrich, the speaker, and voted with the Democrats. An equally large bloc of Republican moderates voted with House Democrats recently to save the National Endowment for the Arts and to defeat a gay-bashing amendment pushed by social and religious conservatives. Moderates in the Senate, especially veterans of past budget battles like Pete Domenici and William Roth, refuse to go along with the big tax cuts advocated by the budget-cutters in the House.

Fights between Republican moder-

ates and conservatives have so tied up the budget this year that none of the 13 appropriations bills financing the government after the end of September has been passed by both houses of Congress and sent to President Bill Clinton.

Congressional Republicans could not even agree on an overall budget resolution. Meanwhile, moderates in the Senate support full funding for the International Monetary Fund to help it deal with the Asian economic collapse. House conservatives seem more in the thrall of the isolationism of Dick Cheney, who recently commented: "I've been to Europe once. I don't have to go again."

The White House may be in crisis, but it can count on the country's rallying against another budget siege by Republicans, who shut down the government in 1995. Recently, when some House Republicans were saying that this time they could reap political gains from a shutdown, it was Mr. Gingrich's turn to cringe. The title of his recent book, after all, is "Lessons Learned the Hard Way." The paradox now is that while the conservatives brought Mr. Gingrich to power, the moderates are the ones who learned the lessons.

—THE NEW YORK TIMES.

Census Football

The recent party-line vote in the House on funding for the year 2000 U.S. census points in an ugly direction. The question is whether to use sampling and other statistical techniques to adjust the national portrait for the undercount that has increasingly disfigured it in recent decades. Lower-income and minority groups have been especially affected — underrepresented in the final figures.

The administration favors the use of sampling to correct the figures. The bulk of the statistical profession has endorsed it as the best way to get the most accurate count. Congressional Republicans, with a few exceptions, are nonetheless opposed and voted to provide only half the money needed for the census in the fiscal year ahead. The other half would await negotiations on the sampling issue next year.

The Republicans fear an adjusted count could cost them some House seats in the next redistricting. They argue as well that adjusting the figures would be unconstitutional — the constitution calls for an "actual enumeration" — and subject to abuse. But surely the greatest abuse is to exclude from the tally people known to be out there and to deserve inclusion. It is not just political representation that is at stake. Federal funds also follow the census figures, and it is important as a matter of national perception to know who we are, where we live and so on.

The administration says the full amount should be provided for the census now, lest preparations for the complex task be delayed. If Congress will not agree to that, then at least there

should be a return to last year's understanding. Under those terms, only half the amount for the census would be provided, but likewise only half the amounts for all the other items in the bill, which covers the departments of State, Justice and Commerce and assorted lesser agencies. Then the budgets for those departments would be hostage if Congress sought next year to hold up the rest of the census money.

The administration cannot give up that leverage. The opponents of sampling claim not to want the census to be a political document, but it is they who are pushing it in that direction.

—THE WASHINGTON POST.

Other Comment

Iraqi Nuclear Capability?

The head of the International Atomic Energy Agency in Vienna warns that Iraq's decision to stop cooperating with UN arms inspectors could mean that it is again preparing to try to build nuclear weapons.

That is an ominous turnaround from the agency's earlier finding that Iraq appeared to have given up its clandestine nuclear program. If Iraq effectively defies the inspection process, the world will have to worry not just that Saddam Hussein's rogue government will soon reacquire chemical and biological weapons but quite possibly a nuclear capability as well.

—Los Angeles Times.

Threats Without Teeth: America's Soft Power Policy

By Jim Hoagland

WASHINGTON — As President Bill Clinton moves into a politically decisive week at home, his hopes that soft power would tame the post-Cold War world are also under strong challenge around the globe.

Foreign policy has played an important if unpolished role in sustaining the high popularity ratings that have been vital to President Clinton as he battles Kenneth Starr's investigation of the Lewinsky allegations.

The Clinton presidency has been blessed with a relatively peaceful international environment. Mr. Clinton has infrequently used or even threatened to use force in protecting U.S. interests abroad, and Americans like him for that.

Mail from readers underlines that connection. A column critical of Mr. Clinton invariably brings letters pointing out that he has kept Americans out of wars abroad and deserves to be forgiven almost anything.

And the president, his aides and his foreign allies have often emphasized Mr. Clinton's skills in using "diplomacy backed by force" to settle international conflict.

That phrase has echoed through the administration's descriptions of how it has handled problems as diverse as North Korea's effort to develop a nu-

clear arsenal, the dismantling of Haiti's junta, China's missile threats against Taiwan and Iraq's hiding of biological and chemical weapons. Clinton spokesmen have claimed this particular form of soft power as a trademark of this presidency.

But the terror bombings of U.S. embassies in Kenya and Tanzania, Saddam Hussein's breaking off UN arms inspections once again and the bloody pursuit by Slobodan Milosevic of continued Serbian rule over Kosovo have demonstrated in recent weeks that other, brutal forms of power still count in world politics and will not be deterred by threats alone.

Mr. Clinton deserves praise, and popularity, for avoiding fighting where it was not necessary and minimizing violence where it was.

His Vietnam-era wariness of the mili-

tary has in some cases paid dividends. But his administration can be faulted for making foreign policy look too easy by vaunting diplomacy backed by the threat of force so relentlessly. The American public has been left with the impression that the Iraqis, or the Serbs or the other troublemakers of the moment, are almost certain to back down

when the threat of overwhelming American power is delivered.

Examining the statements of UN Secretary-General Kofi Annan in February after he talked Saddam into resuming (the now suspended) arms inspections, and Mr. Clinton's welcome of that agreement, and the logic behind that impression emerges.

Two enormous problems result from such high-visibility reliance on the threat of force as the first line of diplomacy.

It underestimates the force of the irrational in international politics. Saddam for one has shown that he cares nothing about the survival of his country if it is not directly linked to his survival as ruler. An Iraq that does not live up to his vision deserves to perish.

Mr. Milosevic is more calculating. But his calculation of Kosovo's importance to Serbia is different from that of any outsider's. He would absorb no doubt more punishment than this American president would deem logical or bearable and still fight on for Kosovo.

The Iraqi and Yugoslav dictators also illustrate the second, increasingly apparent shortcoming of making threat-backed diplomacy the biggest arrow in the quiver: Mr. Clinton's threats have become less credible as he has become more distracted and embattled at home.

Saddam's decision to give Mr. Annan a temporary diplomatic victory in February was a tactical move. This summer the Iraqi decided that he did not in fact risk American retaliation for breaking off UN inspections, and the U.S. administration has publicly and ill-advisedly confirmed that.

Saddam now confronts diplomacy backed by renounced threats of force. He can resume stockpiling biological and chemical weapons unhindered.

The repeated warnings that the North Atlantic Treaty Organization is going to get serious militarily in Kosovo any day now have had the same effect.

Mr. Milosevic is able to calibrate the bloodshed he inflicts, keeping it below the high threshold beyond which U.S. threat might turn to actual force.

The timing is inconvenient for Mr. Clinton as he faces the Lewinsky de-ouement. But these developments send a clear message: Leadership in foreign affairs is not easy. The American people cannot assume that threats backed up by hope work for very long. And they cannot let themselves be lulled into thinking that threats will relieve them of the obligation of protecting global stability with sacrifice when their interests are threatened.

The Washington Post.

Large-Scale Surgery Is Needed to Correct Japan's Ills

By Roger Buckley and William Horsley

TOKYO — As the yen falls and the new cabinet of Prime Minister Keizo Obuchi faces an open-ended financial crisis, Japan has reached the end of an era. The half-century of reconstruction and economic growth that followed its defeat, surrender and occupation in August 1945 has turned to demoralization and national disappointment.

The failure of successive Japanese governments to tackle the disastrous legacy of hyperinflation in the "bubble era" of the 1980s has pushed Japan into recession. The malaise afflicting the world's second-largest economy is sending shock waves into an already ailing Asia-Pacific region. The impact is also being felt in the West.

U.S. exports to Asia are slowing sharply and there are mounting concerns that the surge of imports from Asia, made supercompetitive by devaluations in the region, will soon start to cause serious job losses for Americans in the manufacturing sector.

In Europe, growth in 1998 for the 15 states of the European Union has been revised downward because of Asia's troubles. Worse is to come.

There is a real risk that Japan and other East Asian nations will cut their investment in

Europe. The scrapping of Europe's largest-ever "inward" investment — by South Korea's LG group for a semiconductor plant in South Wales — is blamed on a lack of cash. The collapse of Siemens' plans for a similar plant in northeastern England is attributed to "unusually low" prices among rival Pacific Rim producers.

The official Japanese forecast of a "prolonged slump" echoes the World Bank's worries about a "very long-lasting depression" for East Asia. Fragile share and currency markets have dropped alarmingly in recent days. Financial analysts around the world are concerned at the rising threat of further competitive devaluations and beggar-thy-neighbor trade practices.

After less than a month in office, the Obuchi government risks being swept aside by a tide of pessimism. The public's confidence in Japan's political leadership has evaporated.

How did Japan get into such a mess? The tightly knit institutions that created the Japanese miracle in the boom years — the elite bureaucracy, big business and the conservative politicians — are now part of the problem. This trio triangle of decision-makers is still protecting its own

vested interests, thus obstructing urgently needed solutions. Their failure to reform is directly responsible for Japan's vicious circle of deflation and falling asset values, which now threaten global prosperity.

A frank acknowledgment of the errors of the past is important because it can help produce correct solutions. The "first age" of postwar Japan saw a bitter conflict between communism, backed by trade union power, and bureaucracy, steeped in statist national goals that were primarily economic. The bureaucrats won, thanks to policy decisions of the U.S. occupation authorities who wanted Japan to be a stable and wealthy ally in the ideologically divided Asia of the Cold War.

Central to the bureaucrats' vision of a new Japan was the control and mobilization of the nation's financial resources. State support for a network of industrial, commercial and savings banks ensured the allocation of funds to designated high-priority industries. Mass urbanization and intensive education turned out the skilled, malleable work force whose achievements became legendary.

In the "second age" of postwar Japan, ambitious politicians of the governing Liberal Democratic Party — such as Kakuei Tanaka, prime minister in the early 1970s — exploited these national assets to make Japan the "factory of the world" and to enrich themselves. In the 1980s, when Japan also earned the title of "banker to the world," other nations were grateful for the capital and know-how that flowed from the Land of the Rising Sun.

But as Japanese politicians and brokers colluded to ramp up share values, and make risk-free profits, major manufacturing firms turned eagerly to financial speculation for huge windfalls, while banks were prompted by the cronies network to lend to ever more dubious clients.

The "third age" of postwar Japan began abruptly in 1990 with a collapse of stock prices to half their bubble value. Politicians' venality had been exposed in the Recruit scandal, in which shares were traded for favors.

Even Japan's once-respected bureaucrats were pilloried for their greed, as it emerged that officials had been wined and dined by the very bankers they were supposed to have been supervising. Financial houses, such as Yamaichi Securities, finally failed because of their own ineptitude, not because of strict regulation.

Feeding Indonesia's hungry is the equivalent of stopping the bleeding in a critically wounded patient. It must be done first. Only then can the issue of political reform be addressed.

One of the sad legacies of Mr. Suharto's regime is that rather than foster the growth of political parties, he ensured that the opposition was weak and disorganized.

There are more than 50 registered parties in Indonesia, each with a single focus. This is a recipe for anarchy. But there are positive signs that Parliament is working to create a process for building broad-based parties capable of winning working majorities in next year's parliamentary elections.

The United States should develop a number of programs to

train and educate Indonesia's military — the greatest stabilizing force in the country. Indonesian officers should be encouraged to participate in the International Military Education and Training program. The program exposes officers to international norms of human rights, the concept of civilian control of the military and respect for the rule of law.

In addition, America should create scholarship programs for midlevel officers at colleges and universities around the United States to give these future leaders a broader view of democratic values.

There is nothing mystical about the importance of a stable, prosperous Indonesia to the United States and its Asian partners. And there is nothing magical about helping Indonesia write a happy ending to a real-life wayang.

The author, founder and chairman of Business Executives for National Security, contributed this comment to the International Herald Tribune.

What the U.S. Should and Should Not Do in Indonesia

By Stanley A. Weiss

JAKARTA — The key to understanding Indonesian politics is the Javanese shadow play called wayang — stories about mythical battles between gods and kings, good and evil, with the common people standing aside in powerless awe.

A shadow play is more than mere entertainment; it is a deeply ingrained way for Indonesians to view events in their world. The driving force behind each performance is the dalang, the puppet master. He has control over the destinies of all the characters.

For 32 years, President Suharto was the dalang, a king who possessed wayang, the divine light signifying a Javanese leader's power. He ruled his nation as a benevolent despot, consulting frequently with his spiritual adviser and tapping the deep cultural roots of the wayang.

Mr. Habibie rules at the pleasure of the military commanded by General Wiranto, a former aide to President Suharto. As Mr. Habibie says, "I take General Wiranto with me everywhere; as long as he is smiling I know I'm O.K."

Last year, he lost his wayang: There were fires, droughts, locusts and plane crashes. This year, the economy crashed. Now he is gone.

He has been replaced by B. J. Habibie, who appears to be trying to open the way to democratic reform. This new puppet master does not hold all of the strings and seems to be making up his stories as he goes along. Neither Javanese nor mystic, he is more comfortable communicating with his computer, exchanging e-mail with friends.

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Now there will be no parliamentary elections until next May and no selection of a president until December 1999. Mr. Habibie has more time to consolidate his power with the appointment of loyalists, such as General Faisal Tanjung, coordinating minister of defense and security.

America should resist any temptation to become a major actor in this continuing political drama.

The Indonesians did an impressive job of getting rid of President Suharto without any help from us, and they are engaged in a profound and lively negotiation about their political future," said Paul Wolfowitz, former U.S. ambassador. "For now, I believe, we should leave the negotiating to them and focus our efforts on preventing starvation."

And starvation is a real possibility in a country facing a shortfall of more than 5 million metric tons of rice. The response of the international community has been to pledge less than one-fifth that amount.

Mr. Wolfowitz urges immediate action and points out that the United States is far more likely to be listened to later if it takes the lead now in providing desperately needed food and medical assistance.

"A massive emergency as-

sistance program can also serve political as well as humanitarian purposes," he said. "If creative use is made of nongovernmental organizations in Indonesia for food distribution, it can strengthen some of the organizations critical to the success of political and economic reform."

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Russia's Fault

PARIS — [The Herald says in an Editorial:] It is interesting to record the arguments used in justification of Russia's attitude towards Great Britain. The Novosti says, "British claims are not justifiable, because England not only wants advantages for herself alone, but would like other Powers to help her towards their attainment." Now it is notorious that the whole aim of British policy in China has been based on the theory of "open door," and that the successive defeats which this policy has sustained are due solely to Russia.

1923: Gasoline War

NEW YORK — Governor W.H. McMaster, of South Dakota, purchased 500,000 gallons of gasoline from the independents to retail at sixteen cents a gallon, and thus started a gasoline war in the West. The cut in price was

immediately met by the Standard Oil Company of Indiana and the Standard of Kentucky. The Standard states that it is selling below cost of production, but it must uphold the principle of not asking its patrons to pay more than others are paying.

1948: Juvenile Justice

LONDON — The world's mental specialists were urged today [Aug. 14] to suppress all juvenile courts and the "juvenile judges" that sit in them. A French delegate to the International Congress on Mental Health, Dr. G. Heuyer, charged that juvenile courts were worthless in dealing with the problem of aggression in children. Treatment of delinquent children, Dr. Heuyer said, should be placed in the hands of organizations which do not have a "penitentiary or legal aspect." He said boards should be established for the "protection of childhood."

Herald Tribune

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ART

A Fresh Look at Canaletto, Purveyor of Venetian Dreams

By Souren Melikian
International Herald Tribune

LONDON — In a one-room art show the more effective for its cohesion, the National Gallery projects an image of Canaletto that will surprise even those who thought they knew it all. In the lean, beautiful display that turns the summer months into a new exhibition genre, it forcefully thrusts itself upon the viewer.

The stated purpose of the exhibition, on view until Oct. 11, is to explore Canaletto's technique and his treatment of the topography of Venice.

Instead, the visitor discovers the obsessions of an artist who played with urban reality to compose a stage set and convey moods.

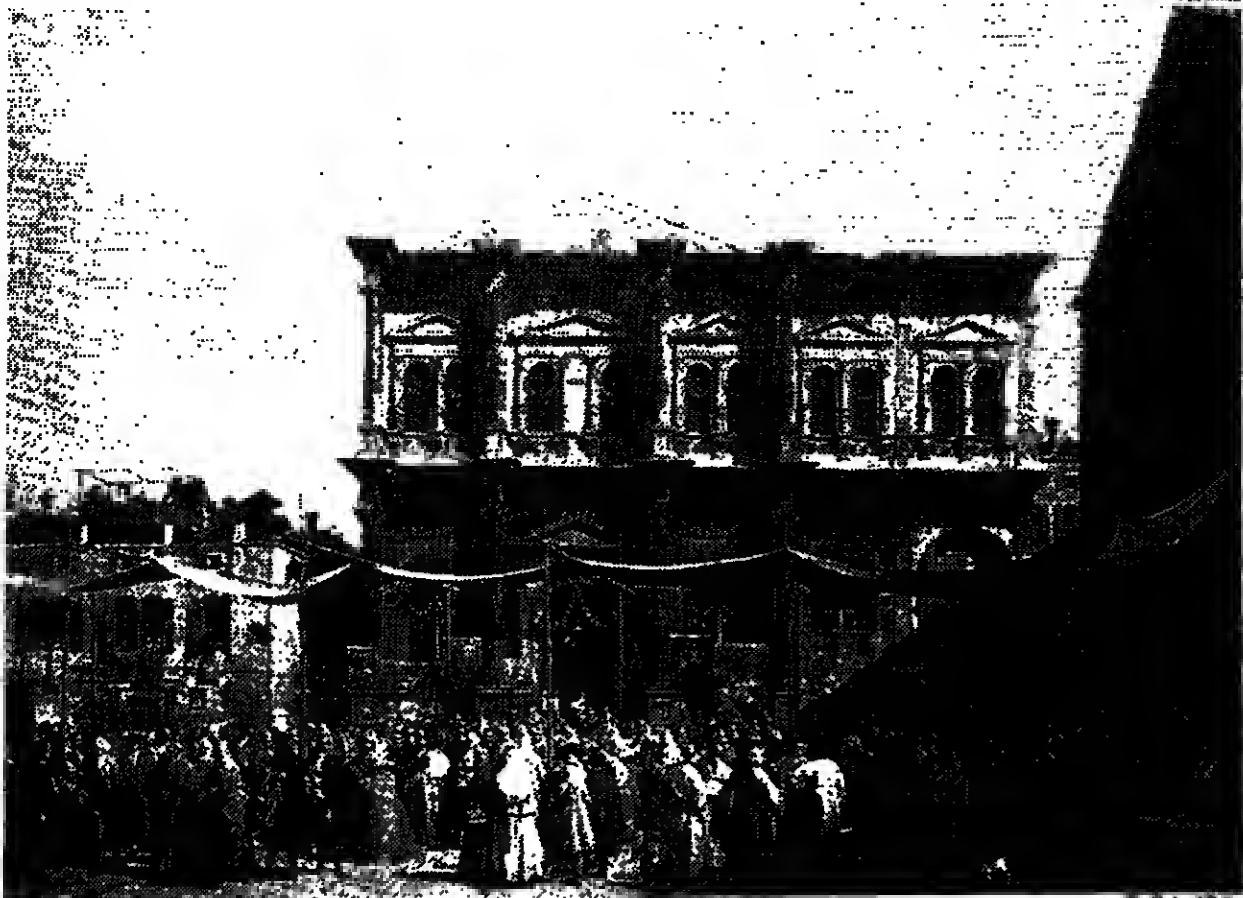
The point is made right at the entrance with "The Feast Day of Saint Roch" hung on its own on a large panel. A crowd in colorful finery fills the foreground with the Scuola di San Rocco facade as a backdrop. Looked at closely, the characters turn out to be little more than dummies with identical expressionless features cursorily sketched.

It is the Scuola that matters. The facade is hung with festive garlands and big oil paintings are attached to it above eye level, making the architecture come alive. The crowd is a mere ornament.

With the View of the Grand Canal looking toward the Church of Santa Croce, the stage moves from firm ground to water, but here too the real part is assigned to architecture. Canaletto has taken liberties with it. More buildings appear than can be seen from where he stood. The perspective, defined in linear terms, has no depth. There is no volume to the buildings, no mist in the air.

This is a theatrical set for a fairy tale whose actors forgot to turn up — few humans are to be seen.

A small view by an anonymous artist described as a "follower of Canaletto" indicates that admirers tried to emulate this manner. In its lean style, the com-



"The Feast Day of Saint Roch" with the richly ornamented Scuola di San Rocco in the background.

position is stronger than Canaletto's own.

The dome of San Simeone Piccolo looks huge on the classical structure that supports it, no bigger than the dome itself. A few gondolas glide on parallel lines in the horizontal strip of a canal. Despite the scanty human presence, a strange tension emanates from the scene. If Expressionism in architectural views ever existed, there it is.

Nearby, Canaletto's own rendition of

the same church as part of a broader townscape is as bland as a picture postcard. Farther away, regatta scenes are crammed with detail that seems to have been supplied to fill in the space. The "Regatta on the Grand Canal" painted about 1735 and another view with the same title done about five years later from precisely the same vantage point are like repetitions of a deluxe image for rich tourists — English lords on the Grand Tour took these back home as

souvenirs from their lovely days in Venice.

In a show where no picture gets lost in the broader context, the banality to which Canaletto could stoop leaps to the eye. Fortunately, so does another little known side to Canaletto's art, a deeply poetic romanticism.

In 1725, the Venetian artist painted a view of the Grand Canal looking north from the Rialto Bridge with an intensely dramatic atmosphere. A storm threatens

to break out as the sun, invisible behind wisps of white and purplish gray clouds, lights up the incurring sweep of the canal with an unnaturally intense yellow glare. The palaces on the opposite side, plunged in darkness, cast spiky shadows across the water. Three gondolas are barely visible near the wharf enveloped in blackness, while a fourth lonely boat appears in the middle, looking frail in the vast expanse of water.

Nature is about to explode. The tension, toned down by the theatricality of the urban setting, places the picture in a category of its own. On loan from a private collection, this is one of the revelations of the show.

So is another view of the Grand Canal with the Rialto Bridge seen from the north in 1735. This too is a private loan. The light effects in the windswept sky where the sun remains invisible, the reflections in the water and the shadow play give it an even greater intensity.

A drawing in pen and brown ink from the Ashmolean Museum in Oxford, concerned about was indeed light rather than architecture. The word sole, the sun, is written on the drawing precisely where the water sends back a pale yellow gleam in the painting.

The masterpiece in this dramatic manner, virtually unknown outside its present hometown of Hull, England, is "The Grand Canal Looking Northeast From the Palazzo Balbi to the Rialto Bridge" on loan from the Perens Art Gallery. The left bank stands out in a lurid glare, under a black cloud that hangs over it like a pall. Canaletto has reinvented the facade of the palazzo, adding two more windows. The cataloguer finds it surprising, but this merely demonstrates that architectural detail never was the point.

The picture is about atmosphere and mood. Categorized as a "regatta scene," it has little to show for it — only the temporary pavilion of painted wood and plaster from which pennants were handed out to winners reminds the viewer of the subject. Human presence is confined to a few ordinary moiling

Venetians. Even the facade does not have the neatness that Canaletto associates with palazzi in his views for tourist consumption. Venice is shown here without frills.

In 1727-28, the artist painted one of the last of his untempered views. For once, "The Stonemason's Yard," one of his two or three greatest works, does not focus on facades, but on the working space of a mason's yard strewn about with blocks of stone. The master mason carefully trims one, hammer in hand, while an apprentice does the rough work on a big long block.

A miniature domestic drama is played out in the foreground. A housewife, her broom propped against the angle of a house, bends to attend to a screaming child of 4 or 5 that has just fallen on his behind, possibly pushed over by his elder sister who stands, firmly gripping a stick. Light plays on the planks of a long lean-to at the right. Modest white sheets hang down from the windows of the facade of a house to serve as blinds filtering the strong light. In the distance, across a canal, the tower of Santa Maria della Carita rises high in the sky.

THIS is the backstage view of working-class Venice, moments included. The 19th century must have loved it. But the difference with the 19th century is that realism does not come into it. It is a ballet in a Venetian decor, albeit a populist one.

"Presumed objectivity was in fact subject to artistic license," David Bomford and Gabriele Finaldi remark in the catalogue, in connection with what they call the artist's "impossible view points."

But Canaletto was not interested in reality as such. He only strove to create the illusion of reality — reality reinvented and reassembled with the persuasive power of a storyteller. And as his tale was Venice, Europe fell under the spell of his Venetian dreams, followed by the rest of the world.

Settlement Is Reached Over a Looted Degas

By Judith H. Dobrynski
New York Times Service

NEW YORK — In the first Nazi looting case to be settled in the United States, the relatives of two Holocaust victims say that they have reached an agreement with a pharmaceutical company their over ownership of a Degas landscape.

The agreement essentially calls for a "split the baby" solution. In it, the Art Institute of Chicago will acquire the work, "Landscape With Smokestacks," jointly from Lili Gutmann and her nephews Nick and Simon Goodman, the daughter and grandsons of two Holocaust victims, and from Daniel Searle, the current owner, who is a trustee of the art institute and a former chairman of G.D. Searle & Co.

The art institute will pay the Goodman half of the work's fair-market value, which was not disclosed, and Searle will donate the painting. The agreement also stipulates that the names Friedrich and Louise Gutmann, who died in Theresienstadt and Auschwitz, respectively, as well as that of Searle, be on the institute's wall labels when the work is on display.

"It was an agreement made in heaven — nobody wins and nobody loses," Nick Goodman said. "And it was an opportunity. We wanted to show the world that we could settle our case and maybe show the way for all these other cases."

At least a half dozen claims for art

stolen during World War II have recently been made in the United States, and experts believe there will probably be more. Claims have started surfacing only in the past few years, as wartime archives have been opened, the Iron Curtain has fallen and books and the news media have brought attention to the issue.

The Goodman-Searle case began simmering in 1995, when Simon Goodman found "Landscape With Smokestacks" listed in an exhibition catalog as the property of Searle. In 1939, his grandparents had sent the country landscape, along with other paintings, from their home in the Netherlands to Paris, where the family contends it was confiscated during the war. The painting changed hands a few times after the war, moving through Switzerland to New York, where Searle, unaware of its history, bought it in 1987 for \$850,000.

All along, Gutmann's brother, Bernard Goodman, who died in 1994, and his sons, Nick, 52, and Simon, 49, had been looking for the painting. After a year of fruitless discussions with Searle, the Goodmans sued in 1996. The trial was set to begin on Sept. 9. But on Aug. 7, Nick Goodman called Searle, suggesting a last effort to settle the dispute.

"Landscape With Smokestacks" will go on view at the art institute on Oct. 9, and the Goodmans will probably be there. "I've never seen the painting," Nick Goodman said. "I'm looking forward to holding it for the first and probably last time."



Wooden Hamba statue, Democratic Republic of the Congo.

The Hunters and the Warriors

By Michael Gibson
International Herald Tribune

PARIS — The usual museum approach to African art has tended to be formal and classificatory in the spirit of Linnaeus, listing by genera and species, so the little exhibition now at the Dapper Museum in Paris devoted to "Hunters and Warriors" appears to break new ground, in Europe at least, by approaching the subject through the traditions and oral history of the peoples concerned.

A cluster of frail and defiant equestrian figures dating from the once important Mali empire, for instance — mostly Djenné and Dogon — attest to the use of cavalry in the area as early as the 13th century (much earlier in fact, according to some sources), and an overview of oral traditions touching upon the significance of the horse in that part of the world is presented in the catalogue text by Youssouf Tata Cisse (a Malian himself, whose last name, incidentally, means "a rider").

The exhibition's theme is the hunter and the warrior in various parts of the continent — concluding, historically, with the Zulu military empire created by Shaka toward the middle of the 19th century. The exhibition consequently deals with the very raison d'être of the male population of these regions, and with the mythic structures of power among the Zulu, in the cult of the actual, physical body of their charismatic leader.

All these objects, and among them

those connected to the hunting myths of the Lobi, are finally restored to their original meaning and intent, thanks to the attention now paid to their esoteric significance: a significance, in other words, that is communicated at the appropriate time to those who need to know.

But perhaps the most affecting account of the hunter's spirit is given by the Mandinka (presented here by Sory Camara), who are not otherwise represented by any object in the exhibition.

In their view, the hunter's life is a life of servitude whose reward is a "noble, splendid woman." Identified with the ultimate truth of life. In their teaching, the man who achieves understanding is said to "lie with truth," the noble, splendid woman, "on the banks of the little river" — this little river being the time of his own passing through the world.

Something in these strangely beautiful and deeply expressive works, whether Soninke, Dogon, Bembe or Mangbetu (to mention but a few) continues to fascinate us today. Perhaps it is their capacity to express, in a form that is both candid and enigmatic, the perennial riddle of individual and social existence that every culture responds to institutionally in its own way (but our own today, in many ways, less effectively than any other in the past).

The various myths of the hunter and the warrior evoked in this exhibition served to define the male identity in these societies. In Africa, as in other

parts of the world, the task of the male population was traditionally to feed and protect the community, the Amazons of ancient Dahomey being a striking exception to the rule.

These myths were bred in conditions that were often exceedingly harsh and made strenuous demands on the individual. And some raise intriguing questions about the status of women when a hunter, like Shaka, insists his physical person is at the very hub of myth. The question applies to all the more relevant since Europe, in the present century, has been faced with similar questions, and its failure to confront them at the pertinent level of mythic representation (rather than sociopsychological speculation) has had devastating consequences, many of which continue to haunt us today.

THESE overwhelming questions cannot be avoided in an exhibition dealing with the imagery of power. Such imagery has, as usual, produced some magnificent objects: the sculptures already mentioned, but also the most beautiful and strangest conceivable knives with multiple blades (which, we are assured, the Kota, Wada and Ngkaka, among others, used in battle), as well as weirdly knobbed Amarro and Badja shields made from elephant or hippopotamus hides which still project a somber, threatening aura.

The exhibition at Musée Dapper, 50 Avenue Victor Hugo, runs to Sept. 30.

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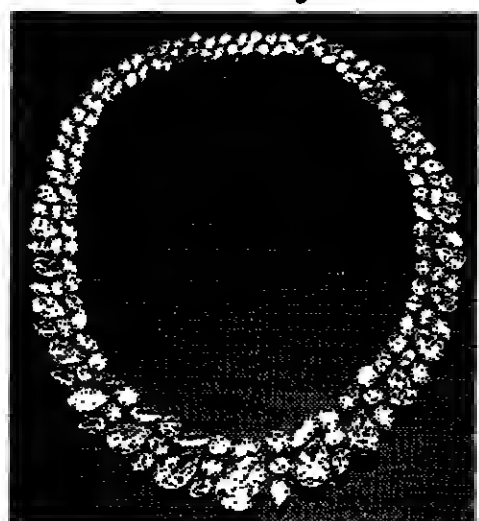
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BOMBAY ICE

By Leslie Forbes. 418 pages.
\$24. Farrar, Straus & Giroux.

Reviewed by Christopher
Lehmann-Haupt

SOMEWHERE in the colorful tapestry of Leslie Forbes's murder thriller, "Bombay Ice," lies the thread of a story that very nearly makes sense.

Her first-person narrator, Rosalind Bengali, is a part-Scottish, part-Indian London resident who reports for the BBC.

When she receives a hysterical postcard from her semi-estranged half-sister, Miranda, who is married to an Indian film director, Prosper Sharma, rumored to have killed his first wife, Rosalind flies to Bombay, using as her cover an assignment to investigate corruption in the Indian film industry.

"Think of the exotic corpses," she has told her producer. "Machetes, cobra bites, ritual murder." She writes, "The ritual murder clinched it, and my remaining costs were covered by a BBC commission for six radio pro-

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BOOKS

grams about the history of tropical storms."

Hardly has Rosalind settled into her room at the Hotel Ritzy when she turns on the television and learns of a corpse that has washed up on Chowpatty Beach in Bombay just three hours earlier. The dead man is a *hijra* — which, as she shortly learns, means either a eunuch or a transvestite — and is the fourth one to die on Chowpatty in the last eight weeks. Also, he is said to have been connected to the Bombay film world.

Since Miranda mentioned a eunuch in her recent postcard, Rosalind immediately heads off for Chowpatty to see if she can learn something more about the victim. There she meets three policemen who tell her to mind her own business. Her suspicions aroused, she starts digging into the background of the *hijra*. Quickly she finds herself on the trail of a scandal that not only leads back to Miranda's film director husband but also branches into the leading power circles of Bombay.

Now it may seem a little troubling that Rosalind would thrust herself into this case so deeply without having first even spoken with Miranda. But then Rosalind is a recklessly aggressive individual whose behavior keeps forcing you to ask yourself, "Would this bother me so much if it were Sam Spade or some other hard-boiled male detective? And to answer uncon-

fortably. Probably not. She also verges on the poetic in her eloquence. So before you question the plausibility of Rosalind's actions, you find yourself caught in her wide-ranging net of references. You wonder, for instance, about the mystery of her mother's death by drowning and what it had to do with the mother's habit of inflicting cuts on herself or her knowledge of poisons or her craft as a gilder, which is someone who layers with gold and, in its archaic meaning, someone who smears with blood.

You wonder about Rosalind's repeated discussions of storms and chaos theory and why she herself is upsetting someone's attempts to impose order. And why is she named Rosalind, a woman disguised as a man in "As You Like It," when Miranda and Prosper evoke the names of characters in "The Tempest," a play that Prosper has been making a film of for most of his career and that obsesses at least one other character in the novel?

"We were shipwrecked on an island and the island was Bombay," the story begins; "the monsoon threat held the whole city hostage." What transformation are the stranded passengers undergoing? Finally, you are caught up by the portrait of Bombay, its poverty and wealth, drawn by Forbes, a Canadian writer now living in London, whose

previous books have been about travel and food. "The city as a conveyor belt to chaos," Rosalind muses. Yet out of its chaos Forbes has created a vivid sense of place.

Does the whole thing make sense, despite the complexity of the plot? It's difficult to tell in a single reading. But every intricate detail seems to serve its particular purpose: the swimming pool shaped like India before partition, where Rosalind swims from Nepal to Madhya Pradesh, the double-bladed scalpel on a swivel neck normally used for the delicate cutting of parallel circles in gold leaf; the frequent references to Hitchcock's "Strangers on a Train."

While its plot is inflexibly time-bound, the book's references stretch almost infinitely, embracing chaos theory, Ovid's "Metamorphoses" and the art of hollow casting, or *cire perdue*, invented by the ancient Greeks to reduce the weight of their monumental statues.

At its weaker points you feel that Forbes is temporizing, perhaps to distract from a story that is almost too complicated to be plausible. Yet its best the book's expansive sense conveys a sense of India so rich that it ceases to seem a mere country or nationality and comes to stand for humanity in both its corruption and self-transcendence.

New York Times Service

Coping With Asia's Crisis: Thais Take Action as Tokyo Gets Warning

Bangkok Unveils Financial Repair Measures

BANGKOK — The Thai government on Friday unveiled a raft of measures to try to repair the country's debt-ridden banking sector, the main move involving recapitalizing commercial banks through a major government bond issue.

The central bank said it would take over two debt-ridden banks and five finance companies as part of a comprehensive package to rescue Thailand's tottering financial system.

The rescue package includes the issue of 300 billion baht (\$7.2 billion) of bonds and the takeover of two banks by government-owned Krung Thai Bank PCL.

An effective plan is considered essential for reviving the recession-bound economy. Thailand's financial sector all but collapsed last year after a slowdown in the economy exposed insolvency in companies in many sectors of business.

The government seized two of the smallest lenders, Laem Thong Bank PCL and Union Bank of Bangkok PCL. Four other lenders that were recently nationalized will either be merged into Krung Thai Bank PCL or cleaned up by the central bank and sold. Bangkok Bank of Commerce PCL was ordered shut. The moves leave the government in control of half the nation's 16 commercial banks.

The governor of the Bank of Thailand, Chatu Mongkol Sonakul, said the rescue package would bolster confidence in Thailand.

"I believe the banking package that the government is issuing will boost foreign investor confidence and will encourage those who are reluctant and wait the wings to come in and invest more," he said.

But financial analysts were not so sure.

"The announcement this morning should be considered as negative news both for money and stock markets," said Thanadech Mahapokai of Book Club Finance and Securities.

"So far, the government has not said how much money would be needed to help those affected financial institutions raise their capital," he said. "The big question mark right now is where will the government get the needed money."

But the market welcomed the news and the benchmark Stock Exchange of Thailand index closed 5.52 percent higher at 243.62.

Alison Seng, economist at MMS, Standard & Poor's in Singapore agreed. "This is pretty much in line with what the market was expecting so far," she said. "But we want to know more, especially whether there will be bonds to fund all this."

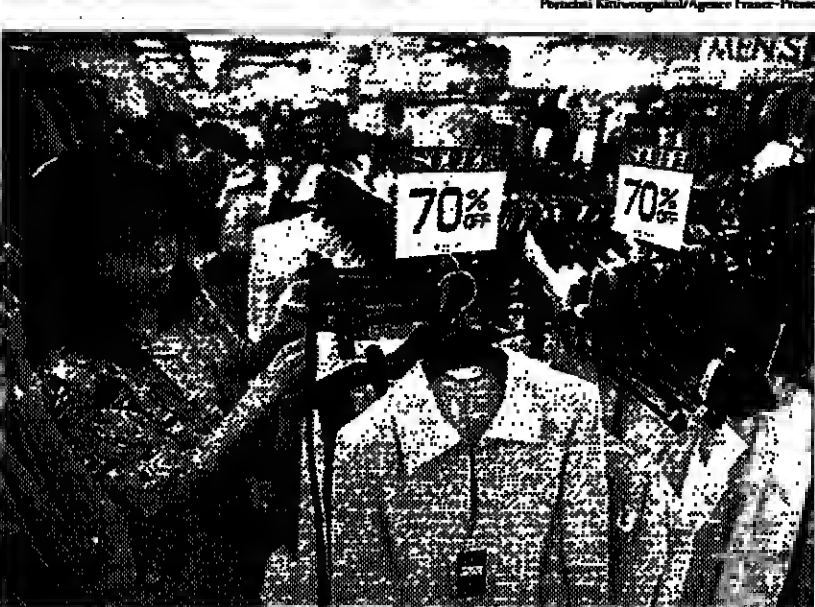
A string of measures aimed at strengthening the Thai banking system demonstrates the government's commitment to restructuring and reform, the International Monetary Fund said Friday.

A statement from Shigemitsu Sugisaki, one of the IMF's deputy managing directors, said the moves would help toward completing the next review of Thailand's IMF economic reform program. The completion of the review would pave the way for new payments to Thailand from an IMF loan agreed to last year.

The central bank's rescue fund, the Financial Institutions Development Fund, will take over the seven institutions with swaps of debt for new shares, the Bank of Thailand's deputy governor, Kiti Patongpibon, said Friday.

In some cases cash will also have to be injected, and at a later stage the institutions will be merged with others or possibly offered for sale.

Mr. Kiti said once the merger of Krung Thai and Union Bank was complete, the new institution would absorb five smaller finance firms. The five firms, along with Union Bank and Laem Thong, were taken over by the central bank on Friday for failing to boost their capital bases while problem loans rose. (AP, Bloomberg)



In Bangkok (top), Finance Minister Tarrin Nimmanaheminda explaining the central bank's actions on banks. In Tokyo, a bargain-hunter visiting a department store where prices are marked 70 percent off.

IMF Says Japan Will Contract 1.7% This Year

WASHINGTON — Japan's economy will probably contract by 1.7 percent this year, the International Monetary Fund said Friday.

The Fund said that Japan's economy might begin to recover in the second half, if the government moves ahead with plans to stimulate growth.

The comments were made in the Fund's annual review of the Japanese economy.

The head of Japan's Economic Planning Agency, Taichi Sakaiya, said Friday he was worried that Japan might fall into a deflationary spiral.

He said the Japanese economy would probably get worse before it got better.

Mr. Sakaiya predicted zero growth in Japan's gross domestic product this fiscal year, which began April 1.

Gross domestic product contracted by 0.7 percent in the fiscal year that ended in March. The shrinkage was the first full year of economic contraction since 1974.

Asked when a recovery might begin, Mr. Sakaiya said, "The government is saying it will happen within two years, but I feel that it will be a little earlier."

The IMF forecast was more pessimistic than the forecasts of either the Japanese government or private economists.

The Fund applauded the government's recent pledge to cut taxes and boost spending. But it warned that those steps were not being executed fast enough. It said that bank regulation must be strengthened.

"While the government has taken a number of welcome initiatives, the overall response thus far has fallen short of the timely, comprehensive and forceful program that is required, given the seriousness of the situation," the Fund said.

Japan needs "far-reaching measures to deal with the bad-loan problem in the banking sector and restore the Japanese financial system to health," the Fund said.

Minutes of a meeting of the board of the Japanese central bank, made available Friday, showed that the bank was reviewing contingency plans for a worst-case scenario deflationary spiral. The emergency measures under consideration included zero overnight rates.

The meeting was held July 16. The minutes quote members of the board as saying that "it was important to consider possible emergency monetary policy measures in case the risks materialized."

Prime Minister Keizo Obuchi has asked Parliament to approve six proposals by September. The proposals include establishing "bridge banks" to assume healthy loans from insolvent banks and sell the rest.

Opposition parties are dissatisfied with the definition of insolvency in Mr. Obuchi's proposal.

The Fund urged Japan to enact more rigorous guidelines to ensure that banks fully report their bad loans.

Japan's banks are carrying an estimated 77 trillion yen (\$526 billion) in bad loans.

This burden has forced them to curtail lending at home and in Asia. The curtailment of lending has impeded economic growth.

The Fund's predictions for the Japanese economy included:

- Industrial output down by 5.3 percent this year, compared with 3.6 percent growth last year.
- Unemployment up to 4.1 percent this year, compared with 3.4 percent last year.
- Consumer prices up by only 0.5 percent this year. Last year they rose by 1.7 percent.

"Business investment is expected to weaken further," the Fund's report said, and a deterioration of consumer confidence was "likely to dampen consumption and residential investment."

(Bloomberg, AP, AFP)

The Battle of Bottlers: Coke Invades Pepsi Turf

Landscape Shifts for Soft-Drink Firms

By Constance L. Hays
New York Times Service

KINSTON, North Carolina — This is the capital of Pepsi country, where babies born at regional hospitals go home with Pepsi birth certificates, along with the state-issued ones. They grow up playing Pepsi-sponsored Little League and develop a taste for barbecue, hush puppies and one of the more unusual indigenous snacks: a package of salted peanuts poured directly into a bottle of Pepsi-Cola, to be drunk and chewed all at once.

Pepsi signs dot the flat landscape of cornfields and tobacco farms. Over the 63 years since the Pepsi-Cola bottling franchise was first awarded here, per capita consumption of Pepsi products, mostly Pepsi-Cola and Mountain Dew, has grown to more than 400 8-ounce (237-milliliter) servings per person per year, in the rest of the United States, it is 270.

But Pepsi's hold on the area is not as solid as it once was. For three years, Pepsi's bottler in these parts, the family-owned Minges Bottling Group, has been competing against Coca-Cola Bottling Co. Consolidated.

This Coca-Cola affiliate covers a 12-state swath of the South, had sales of \$802 million last year and, as a publicly traded company in which Coca-Cola Co. holds a 30 percent stake, can afford big marketing campaigns and price wars in the fight over shelf space and vending machines.

"It's like David and Goliath," said Jeff Minges, president of Pepsi-Cola Bottling Co. of Kinston, one of three within the Minges Group.

It is a problem that PepsiCo Inc., No. 2 to Coca-Cola Co. in the \$50 billion domestic soft-drink business, recognizes. Twelve years after Coke moved to a centralized "anchor bottling" model, PepsiCo is planning to spin off its company-owned bottling operations. The new bottling company may then acquire small independent bottlers.

Many small bottlers — like the convenience stores and other retailers they sell to — are already consolidating. There were 180 independent Pepsi bottlers in 1987 while today there are 121, according to Beverage Digest, an industry newsletter.

"It's a much more difficult, competitive environment than it has been historically," said Philip Marneau, president of Pepsi-Cola North America.

Much of Pepsi's dominance in the area can be credited to Hoyt Minges, now 74 and taking a back seat to his sons and nephews, who are the third generation of the family in the bottling business.

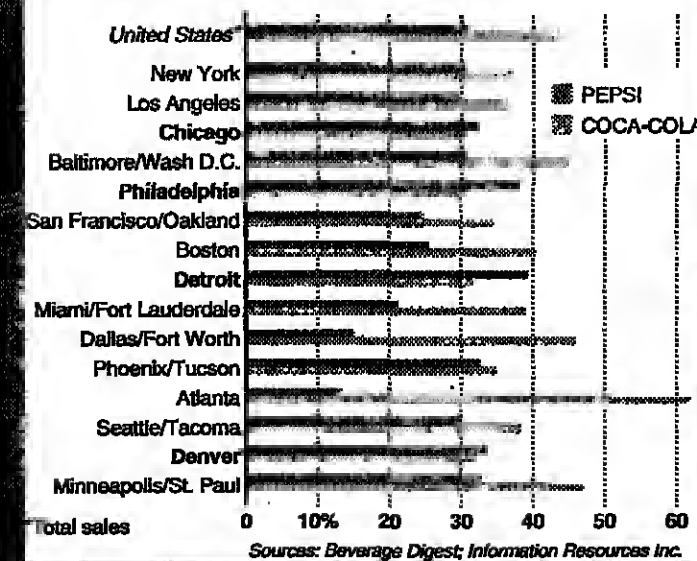
But things began shifting after the local Coke bottler sold his business to Coca-Cola Consolidated. This spring, a tussle erupted between Coke and Pepsi over which soft drink company would have exclusive pouring rights at East Carolina University, in nearby Greenville. (Pepsi won the rights, for \$7 million.) Billboards proclaiming that Coca-Cola and barbecue are "perfect together" have popped up along the main roads, and Coke vending machines, some depicting North Carolina lighthouses on their broad fronts, are proliferating.

Jeff Minges, Hoyt's middle son, finds the consolidation and the subsequent clout of his Coca-Cola competitors much on his mind. He says the deep roots that he and his relatives have in their communities are invaluable in business dealings, but it is also clear to

Coke Towns, Pepsi Towns

While Coca-Cola dominates the United States as a whole and in most cities, there are some places where Pepsi is ahead.

1997 MARKET SHARE OF GROCERY-STORE SALES, ALL BRANDS. Metropolitan markets, ranked by population.



An employee of the Minges Bottling Group making a delivery in New Bern, North Carolina. Its near monopoly as Pepsi's local bottler is eroding.

him, as it is to Wall Street, that large-scale, well-financed bottling operations offer increased efficiency for customers and corporate strategists alike.

Roger Enrico, the PepsiCo chairman and chief executive, announced last month that the company would begin studying a spin-off of its company-owned bottling operations. He called the move "a critical part of our long-term growth strategy." Analysts expect the spin-off to occur by December or January.

Pepsi is considering the spin-off at a time when Coca-Cola is facing increased scrutiny over the way it has moved its expensive bottling factories to its own spin-off, Coca-Cola Enterprises. Critics such as Albert Meyer, an accountant and investment analyst, say



Coke and the bottling company are actually one entity, and for accounting purposes should be consolidated.

The Financial Accounting Standards Board, which sets the nation's accounting rules, is expected to release a draft of a new rule later this year that would force companies with very close ties to consolidate their financial statements.

Spokesmen for Coca-Cola declined to comment Thursday on the accounting issues. At Pepsi-Cola, Brad Shaw, a spokesman for the company in Somers, New York, said: "The two primary forces driving our interest in a separate bottling company have nothing to do with accounting. Our interest is being driven by the large size and continuing consolidation of our retail customers, as well as the continuing consolidation of

our competition." While members of the Minges family, whose two other companies are in Greenville and New Bern, say they have no plans to sell, Jeff Minges says he expects the spin-off to mean more support from corporate headquarters for companies like his.

The life of a local bottler has changed markedly from what it was in 1943. Pepsi-Cola, which accounts for 75 percent of the Minges Group's sales, has had recent problems with identity and market share, both of which are eroding in the face of Coke's aggressive marketing, especially that aimed at young people. Coke has a 43.9 share of the domestic market, according to Beverage Digest, while Pepsi's is 30.9.

"Forty years ago, it was pretty much a relationship between the route sales-

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	USD	EUR	GBP	JPY	AUD	NZD	HKD	TWD	THB
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British	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925
Canadian	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125
French	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625
German	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325
Italian	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325
Japanese	111.25	111.25	111.25	111.25	111.25	111.25	111.25	111.25	111.25
Swiss	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825
Thai	35.25	35.25	35.25	35.25	35.25	35.25	35.25	35.25	35.25
Taiwan	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25
UK	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925
US Dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Libor-Libor Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
US Dollar	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
UK Pound	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Swiss Franc	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Japanese Yen	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Australian Dollar	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Canadian Dollar	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
French Franc	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
German Mark	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Italian Lira	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Spanish Peseta	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25

Key Money Rates									
	USD	EUR	GBP	JPY	AUD	NZD	HKD	TWD	THB
US Dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
UK Pound	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925
Swiss Franc	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825
Japanese Yen	111.25	111.25	111.25	111.25	111.25	111.25	111.25	111.25	111.25
Australian Dollar	1.2525	1.2525	1.2525	1.2525	1.2525	1.2525	1.2525	1.2525	1.2525
Canadian Dollar	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125
French Franc	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625
German Mark	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325
Italian Lira	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325
Spanish Peseta	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325

Forward Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
US Dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
UK Pound	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925
Swiss Franc	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825	1.4825
Japanese Yen	111.25	111.25	111.25	111.25	111.25	111.25	111.25	111.25	111.25
Australian Dollar	1.2525	1.2525	1.2525	1.2525	1.2525	1.2525	1.2525	1.2525	1.2525
Canadian Dollar	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125	0.7125
French Franc	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625	1.6625
German Mark	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325
Italian Lira	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325	1.9325

Ciena Shares Plunge on Profit Warning

Dire Prediction Also Pummels Stock of Tellabs, Its Prospective Buyer

LINTHICUM, Maryland — Ciena Corp. said Friday it expected its third-quarter profit to fall drastically short of analysts' expectations, which sent its shares plunging on the Nasdaq stock market.

The warning also sent shares of Tellabs Inc., which plans to buy Ciena, into a free fall. Ciena mumbled \$17.0625 to close at \$54.125, while Tellabs slumped \$13.6875 to \$58.125. That put Ciena shares below their standing on the day that Tellabs unveiled its \$6.86 billion bid.

Ciena, the biggest maker of equipment that increases capacity on phone networks, said one of its customers had extracted a large order and another had delayed price concessions in exchange for volume commitments.

Ciena said Friday that it expected its profit, excluding charges, to be between 13 cents and 15 cents a share for the quarter ended Aug. 1. Analysts had been expecting 32 cents, based on a First Call Corp. survey. A year earlier, Ciena earned 34 cents a share.

Ciena said the third-quarter shortfall came partly because of a delay in an order worth more than \$25 million. It is also facing more competition from Lucent Technologies Inc., the largest maker of phone equipment in North America. That is forcing it to lower prices, which could hurt future profit margins.

Ciena's warning raised questions about the price Tellabs will pay for the company, analysts said.

In a conference call on Friday, Chief Executive Michael Birk of Tellabs went out of his way to stand behind the deal, said Chandan Sarkar, an analyst at SoundView Financial Group.

"But I am hearing from some institutional shareholders that they want the deal renegotiated," Mr. Sarkar added.

Tellabs is exchanging shares for Ciena on a one-for-one ratio. On Thursday, the difference, or spread, in Ciena and Tellabs' stock was 62.5 cents. On Friday, the spread widened to \$4 at the end of trading.

"The acquisition isn't looking as good," said Robert Wilkes, an analyst at Brown Brothers Harriman & Co.

"A lot of people will start doubting what Tellabs is getting," said Joseph Noel, an analyst at Hambrecht & Quist Group, who has "buy" ratings on Tellabs and Ciena.

Another problem for Ciena is that 95 percent of its fiscal 1997 revenue came from two customers — WorldCom Inc. and Sprint Corp.

WorldCom stopped ordering Ciena equipment in February in preparation for its purchase of MCI Communications Corp. AT&T Corp., the largest U.S. phone company, has told Ciena it will not deploy certain Ciena equipment. Investors were hoping that new business from AT&T would make up for slower demand from WorldCom.

(Bloomberg, Reuters)

THE AMERICAS

Asian Cyber Gangs Hack Into Debit Cards

By Beth Burkstrand
Washington Post Service

WASHINGTON—Information-age thieves went on an international shopping spree last week using computers to guess the debit-card numbers of numerous members of a Washington-area credit union, industry officials said.

An organized-crime group in Asia appears to be behind the fraud, a source close to the investigation said. The group has hit several other credit unions in the United States, the source said, running up several million dollars in charges, and officials have warned the credit union industry to beware.

The thieves apparently used sophisticated computer programs that analyze sample credit card numbers and then generate ones that turn out to be valid about half the time, said Mark Cis, vice president of corporate property and casualty for Cumis Insurance Society, a credit

union insurer that has investigated the case.

Security experts see relatively little threat to large institutions such as national banks, which have large staffs and budgets devoted to protecting accounts. The thieves tend to go after less secure organizations, such as credit unions, which are smaller with fewer resources.

Among the charges, which totaled almost \$1 million to customers of the Transportation Federal Credit Union, which serves retired and current employees of the U.S. Department of Transportation, the Federal Aviation Administration and Blue Cross/Blue Shield of the National Capital Area: \$470.10 at JJ Disco in the Malaysian capital of Kuala Lumpur, and \$2,691.60 in a camera shop near Tokyo.

It is unclear who will ultimately pay for merchandise and services stolen—the merchants, the banks, companies in between that handle security and validation, or insurers.

The type of fraud that hit the credit union is not new, Mr. Cis said. But recently, authorities have found several cases of misprogramming in security systems that are supposed to stop, creating holes that allowed the thieves to get through.

Patrick Sullivan, assistant special agent in charge of the Secret Service's Washington field office, said the agency is investigating the fraud.

"It appears that there will be other financial institutions victimized," he added.

Organized-crime groups in Malaysia, Hong Kong and Macau appear to be at the center of various account-number-generation schemes, a source close to the investigation said. Mr. Cis said criminals in Pacific Rim countries appear to be working with corrupt merchants who knowingly accept counterfeit cards.

The fraud involved Visa check cards, a type of debit card, which allow merchants to deduct funds di-

rectly from a cardholder's account for a purchase.

In order for perpetrators to make fraudulent charges, they first have to get a valid account number, one that belongs to someone at a financial institution. Stealing cards or picking receipts from the trash are the most common ways to get numbers.

But in the computer age, thieves are starting to use programs that can generate usable numbers. The programs work best if the users have a single valid number to start with. These programs then apply sophisticated calculations to determine relationships between the digits in that sample card number and produce other numbers that might work.

Some financial institutions have put in place defenses to counter this and other types of fraud. For instance, merchants may insist that the shipping address used by a mail-order buyer match the billing address the cardholder gave the financial institution.

Mark Slips On Worry Over Ruble

Compiled by Our Staff From Dispatches

NEW YORK—The dollar rose against the Deutsche mark on Friday on concern that Russia will not meet its debt obligations, a move that could hurt Germany. Russia's biggest lender and trading partner.

"The world is still worried about Russia," said Chester

FOREIGN EXCHANGE

Ruben, chief currency trader at Banc One Corp. in Dallas. "If Russia defaults, German banks are in trouble."

The concerns should keep the dollar strong, he said.

The U.S. currency was quoted at 4 P.M. at 1.8016 DM, up from 1.7859 DM on Thursday.

Persistent market worries that Russia could devalue the ruble as soon as this weekend kept the dollar well supported. Those concerns intensified after news that Sergei Dubinin, the Bank of Russia chairman, and Anatoli Chubais, Russia's chief negotiator with international lending organizations, cut short their vacations and returned to Moscow because of the financial crisis.

The move by the international rating agency Fitch IBCA to downgrade 14 Russian banks only further heightened market fears.

"The Russia news is really starting to worry people," said Russell LaScala of Citibank's spot foreign-exchange desk.

But many analysts downplayed fears of an imminent ruble devaluation.

The dollar climbed to 146.305 yen from 144.900 amid pessimism about Japan's economic outlook. The government's resolve to clean up the banking system lifted the dollar versus the yen.

"The market remains impatient with the pace of reforms in Japan," said Steve Gallagher, a Societe Generale economist.

The dollar was also at 1.5090 Swiss francs, up from 1.4890 francs, and at 6.0385 French francs, up from 5.9825 francs.

The pound was at \$1.6170, down from \$1.6247.

(Bloomberg, Bridge News)

Corporate Profit Prospects Weigh on Stocks

Bloomberg News

NEW YORK—Stocks fell Friday on concern that prices are higher than justified by a dimming outlook for corporate profits.

"What we'll have is a profits recession, where corporations have trouble raising prices to cover costs," said James Penner, chief investment officer at the Montana Board of Investments. "The implications for the market are that the irrational exuberance is going to go away."

The Federal Reserve Board chairman, Alan Greenspan, said in 1996 that the central bank needed to guard against "irrational exuberance" in U.S. stocks.

The Dow Jones industrial average closed 34.50 points lower, at 8,425.00.

The Standard & Poor's 500 index fell 12.16 points, to 1,062.75 and the

U.S. STOCKS

Nasdaq composite index sank 12.32, to 1,790.22. About 16 stocks fell for every 13 that rose on the New York Stock Exchange.

The government provided more evidence that Asia's slowdown is cooling the U.S. economy and helping to keep inflation at bay.

The Federal Reserve reported a 0.6 percent drop in industrial production

last month, while prices paid to factories, farmers and other producers rose a scant 0.2 percent in July.

"With Asia down for the count and much of the rest of the world wobbling, this comes as no surprise," said economist Oscar Gonzalez of John Hancock in Boston. "This means U.S. consumers will continue to benefit from low inflation."

U.S. bond prices posted the biggest gain in almost two months, driving the benchmark 30-year bond yield to a record low of 5.54 percent, down 10 basis points, amid speculation that financial turmoil in Russia and Asia is far from over.

The benchmark 30-year Treasury

bond rose 27/32 to 99 12/32.

"There are some opportunities for people to buy some stocks quite a bit cheaper than you could a couple of weeks ago," Mr. Penner said. "If you've got a longer-term perspective, you've got to be buying some good equities."

Chemicals stocks posted the largest decline among the groups in the S&P 500 on concern that Asia's slump is hurting U.S. profits. Dow Chemical, Lyondell Chemical and Rohm & Haas fell in the wake of Du Pont's warning Thursday that third-quarter earnings would be below year-earlier levels.

Du Pont fell 1 1/2 to 53 1/2 and Dow Chemical fell 4 1/2 to 85 1/2.

Lucent dropped 1 1/2 to 86 1/2 and Ascend Communications fell 1 1/2 to 46 1/2.

Telecommunications fell 1 1/2 to 36 1/2 after the No. 2 U.S. cable company said it would spend more in the third quarter to upgrade its network and expected to lose some subscribers. TCI said it had a loss of \$142 million in the second quarter, less than expected.

J.P. Morgan rose 13 1/4 to 130 1/4 after Business Week fueled speculation the investment firm was in talks to be acquired by Deutsche Bank AG, Germany's largest bank. Global Crossing Ltd. rose 6 1/2 to 25 1/2 on optimism for the telecommunications industry. The company began trading Friday on Nasdaq.

Stryker to Buy Pfizer's Orthopedics Unit

Bloomberg News

KALAMAZOO, Mich.—Stryker Corp. said Friday it would buy Pfizer Inc.'s Howmedica orthopedics unit for \$1.9 billion, making it one of the biggest makers of devices to repair injured joints and bones.

Stryker said it would have about 15 percent of the orthopedic market worldwide after the acquisition. Pfizer, the second-largest U.S. drugmaker, is selling medical-technology businesses to focus on its more profitable pharmaceuticals, including the inpatient pill Viagra.

The acquisition will boost Stryker's line of hip, knee and shoulder-repair products, as well as devices used to hold together broken bones. It will almost

double Stryker's size as health-care providers are forcing consolidation in the fragmented orthopedics industry. However, the costs of the acquisition will dampen Stryker's growth next year.

"Stryker has been 20 percent earnings growth, come hell or high water," said Robert Faulkner, an analyst at Hambrecht & Quist. "Those bets are off now."

Stryker told analysts in a conference call that growth would slow to 5 percent in 1999. Although the company expects to be back to 20 percent growth by 2000, investors view the move as somewhat risky, said Mr. Faulkner, who rates the stock a "buy."

Stryker shares closed \$3.25 lower at \$36.25. Pfizer fell 37 1/2 cents to \$101.625.

U. S. STOCK MARKET DIARY

Aug. 14, 1998

High Low Last Chg. Opt.

Dow Jones 8425.00 -34.50 -0.41%

S&P 500 1062.75 -12.16 -1.14%

Nasdaq 1790.22 -12.32 -0.68%

NYSE Composite 1187.12 -11.87 -1.00%

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Continued on Page 14

Friday's 4 P.M.
most traded National Market
of dollar value, updated twice
The Associated Press.

Friday's 4 P.M.
The 1,000 most traded National Market securities in terms of dollar value, updated twice a year. The Associated Press.

Symbol Low High Low High Low High Low High Low High

A-B-C

1	100	100	100	100	100	100	100	100	100
2	100	100	100	100	100	100	100	100	100
3	100	100	100	100	100	100	100	100	100
4	100	100	100	100	100	100	100	100	100
5	100	100	100	100	100	100	100	100	100
6	100	100	100	100	100	100	100	100	100
7	100	100	100	100	100	100	100	100	100
8	100	100	100	100	100	100	100	100	100
9	100	100	100	100	100	100	100	100	100
10	100	100	100	100	100	100	100	100	100
11	100	100	100	100	100	100	100	100	100
12	100	100	100	100	100	100	100	100	100
13	100	100	100	100	100	100	100	100	100
14	100	100	100	100	100	100	100	100	100
15	100	100	100	100	100	100	100	100	100
16	100	100	100	100	100	100	100	100	100
17	100	100	100	100	100	100	100	100	100
18	100	100	100	100	100	100	100	100	100
19	100	100	100	100	100	100	100	100	100
20	100	100	100	100	100	100	100	100	100
21	100	100	100	100	100	100	100	100	100
22	100	100	100	100	100	100	100	100	100
23	100	100	100	100	100	100	100	100	100
24	100	100	100	100	100	100	100	100	100
25	100	100	100	100	100	100	100	100	100
26	100	100	100	100	100	100	100	100	100
27	100	100	100	100	100	100	100	100	100
28	100	100	100	100	100	100	100	100	100
29	100	100	100	100	100	100	100	100	100
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Investing at Albion's Edge: An Asian Drag on Scottish Factories

By Barbara Wall

SCOTLAND HAS more to offer than whisky, oil and tartans. Some of Britain's fastest-growing companies have Scottish roots, such as the transport companies Stagecoach Holdings PLC and Firstbus PLC. But while further opportunities exist in selected industries, investors cannot just take a headlong dive into the country — reports from trade organizations and financial institutions suggest the tartan economy may not be as robust as some pundits would like them to believe.

"Manufacturing throughout the British Isles is suffering due to the strong pound and problems in Asia, but Scottish manufacturing companies are worse off than companies in England because they are more reliant on exports and have greater exposure to Asia," said Chris Williamson, the writer of a monthly report on the Scottish manufacturing industry for NTC Research, an economics consultancy based in Henley-on-Thames, near London. "Drinks companies, electronics firms and textile companies have been hit particularly badly."

Also, the inauguration of a new Scottish Par-

liament next year is seen by some members of the business community as a source of concern. According to analysts, the chief worry is that the Scottish National party, which is likely to hold sway in the new Parliament, will introduce business-unfriendly tax initiatives.

But the Scottish economic picture is not all doom and gloom. Mr. Williamson said the financial-services and communications industries are experiencing strong growth, though the pace has slowed in recent months.

Given the Scots' reputation for prudence it is perhaps not surprising that the country has acquired an international reputation for excellence in financial services. Justin Urquhart-Stewart, a spokesman for Barclays Stockbrokers in Glasgow, said that he expected the Scottish financial-services sector to continue its strong growth.

"Scottish financial-services companies have not been tainted by the rogue-selling scandals that have hit English companies. They also benefit from having a better-educated work force. The Scottish education system is widely perceived to be better than the English one," Mr. Urquhart-Stewart said.

"Further consolidation in Scottish financial services is likely in the months ahead, and this

could produce some attractive investment opportunities," he continued. "Many of the Scottish life companies, such as Scottish Mutual Assurance PLC, are strong candidates for takeover. These companies do not have the economies of scale to continue growing, and they have good brands that can be developed for the international market."

James Laing, a fund manager with Tilney Investment Management in Edinburgh, said that if he had to pick a winning Scottish-financial services company he would opt for Bank of Scotland, the largest by market capitalization. "The Bank's share-price performance has been fantastic. In the last 12 months, to the end of July, Bank of Scotland has outperformed the All-Share Index by 39 percent. Although the share price was affected by recent market corrections, the stock has not fallen by as much as its peer group," he said.

What makes it attractive? "The company is very well managed," Mr. Laing said. "To get a feel for this, investors need only take a look at the company's cost-income ratio, which is how banks measure the efficiency of their operation. Some British banks spend more on running their operation than income received. With a cost/

income ratio of 50 percent, Bank of Scotland is by far and away the most efficient of all the Scottish banks."

For investors seeking a conservative Scottish stock, Mr. Laing recommended ScottishPower PLC. "ScottishPower has already been hailed as a great Scottish success story, but there is still a lot of mileage in the company. It is the only true multiutilities company in Britain. It owns South West Water in England and is expanding aggressively into telecommunications and the Internet. In terms of stock-market performance the company has been a real plodder, but it pays a regular dividend and is a very safe and reliable investment bet."

Judith Mackenzie, an analyst with the Bell Lawrie White & Co. brokerage in Glasgow, has

a specialist knowledge of small Scottish companies. She follows several technology stocks, and atop her list of investment recommendations is Aortech International PLC. Aortech, listed on the Alternative Investments Market, develops heart valves and other medical devices.

"The market for technology stocks has been difficult in the past few months," Ms. Mackenzie said, "and Aortech's share price performance has reflected this, but the company has a good story to tell. Aortech is six months away from introducing a new heart valve that will blow the rest of the market away. The heart valve will open up opportunities for different types of heart surgery."

She also likes Vision Group PLC, a supplier of microchip imaging sensors and cameras. "The share price performance has been fairly dismal," she said, "but the company has some good products and has been slated as a possible takeover target by one of the major original equipment manufacturers. Although I like the company, it should be seen as a highly speculative investment."

Quickfit Holdings PLC, a chain of garage repair outlets which offer additional services such as insurance, was one of the small-cap stocks recommended by Mr. Laing. "Quickfit, as with many Scottish companies, owes its success to one dynamic individual: Tom Farmer. Mr. Farmer has created a company with a strong national presence," Mr. Laing said. "Ask any car owner in the British Isles to name a handful of garage repair operators and the vast majority would probably struggle to name an operator other than Quickfit. The company is also expanding aggressively into Europe. There are now 168 Quickfit outlets in Holland and Belgium, which brings the total number of outlets to 922."

Many Scottish companies are too small to get a stock market listing, but there is a closed-end fund listed in London that invests in them. Abtrust Scotland, a dedicated Scottish investment Trust, was introduced in 1987 by Aberdeen Asset Management. Hugh Little, Abtrust's manager, said: "We always take a minority equity stake and look to make money when the company is floated on the stock market, or sold on. Our biggest success story is Firstbus. The fund's initial investment of £15,000 is now worth around £7 million."

Although the fund is invested in many sectors, it has a strong bias toward oil services. "In the last five years or so," Mr. Little said, "the technology used in the manufacturing of key drilling components and in equipment maintenance has moved on dramatically. The expertise that Scottish companies have gained in these areas will be sought as more oil fields open up in Eastern Europe and elsewhere."

For further information, call:

- ABTRUST SCOTLAND: 44 1224 633070
- BELL LAWRIE WHITE & CO.: 44 141 314 8109
- TILNEY INVESTMENT MANAGEMENT: 44 131 225 7846
- NTC RESEARCH: 44 1491 411 890
- SCOTTISH FINANCIAL ENTERPRISE: a government body charged with promoting Scottish industry. 44 131 225 0990

Underexposed, Undervalued

Companies in Northern Ireland Trade at Discount Prices

By Conrad de Aenlle

NORTHERN IRELAND is home to companies that local investment advisers argue would make good components of a British equity portfolio, yet they tend to escape the interest of mainland investors. About a dozen Northern Irish companies trade on the London Stock Exchange, with some having second listings in Dublin. It is hard for them to attract investors for several reasons, one of them being the difficulty that investors have trying to reach them.

"It does suffer a disadvantage from being across the water," observed Gervais Williams, manager of the Gartmore Irish Smaller Companies Fund, whose portfolio includes several companies in the province.

"There's a physical barrier. Fund managers that want to meet businesses have to go farther and make more complicated travel plans. In terms of the way businesses operate, they're all very similar to [mainland] U.K. companies. But they don't get the exposure they really deserve."

These logistical difficulties leave companies in Ulster trading at cheaper valuations than their counterparts in less remote parts of Britain, as do two other circumstances. Patrick Mahony, a director of the Belfast brokerage BWD Rensburg, calls these the Drumcree Effect and the Powerscreen Effect.

The latter refers to the collapse in the stocks of two machinery companies, Powerscreen International PLC and Mackie International Group, after reports of accounting irregularities.

"Powerscreen was a world-class engineer, vying to be Northern Ireland's largest company by market capitalization," Mr. Mahony said. That was last autumn, when the company was worth about £700 million and its share price was above £7. After falling as low as 45 pence, the stock has clawed its way back toward £1. Mackie's shares suffered a drop of similar proportions.

The managements have been replaced and the companies are on the mend, but the damage to investment in the region has been done.

"The difficulty is that there is a small number of quoted companies," Mr. Mahony explained. "Two of 10 or 12 having accounting irregularities takes the gloss off Northern Ireland."

So does the Drumcree Effect, which probably cannot be solved by new management. Drumcree is the site of clashes last month between Protestant groups and security forces during the commemoration of a Protestant military victory three centuries ago.

Despite the recent accord among various political interests in the province, sectarian violence continues and is factored into share prices, Mr. Mahony said.

Take the retailer Hampden Group PLC, "the stock that's most specifically thought to be Northern Irish," he said. When violence flares, people do less shopping, and there is the chance,

albeit remote, that retail outlets will be blown up. That leaves Ulster retailers trading at roughly eight times earnings, compared with 12 times for their mainland counterparts. "It's extraordinarily Drumcree-driven," Mr. Mahony said of Hampden. "It looks expensive at its current price." Late Friday, Hampden traded at 75.5 pence.

Mr. Williams also considers Hampden undervalued and has a similar opinion about Lamont Holdings PLC, a textile maker with "a history of difficult trading that has held back profits in the past." The company's shares are so depressed that the yield from its dividend, which it has no trouble covering from earnings, has climbed more than 14 percent, he noted.

Lamont "has an efficient and focused management now," Mr. Williams said. "Trading conditions in the textile industry aren't necessarily easy, but the market is improving and the company is investing heavily. It's a business that I would suggest is well out of fashion and probably deserves a much better valuation going forward."

Another stock Mr. Mahony recommends is Viridian Group PLC, a power company formerly called Northern Ireland Electricity, which "looks inexpensive for a utility at the moment," he said, because of restructuring in the industry.

Viridian's stock is priced at less than 14 times its expected 1999 earnings, and it offers a dividend yield of 4.74 percent.

Mr. Mahony speculated that Northern Irish stocks could benefit from developments south of the border. The benchmark stock index in the Irish Republic, the ISEQ, was recently expanded to include all publicly traded companies in Ulster, which means that Irish fund managers who build portfolios to match the performance of that barometer will have to buy Northern Irish shares.

A FURTHER BOOST would come, he said, if the embryonic Northern Ireland assembly, authorized to govern local affairs under the April peace agreement, moved to reduce corporate tax rates to remove "the incentive to go to south," where the Republic's levies are lower.

"The new assembly should cut taxes; it's got to do something radical to kick-start the economy," he said. Lowering tax rates "would be extraordinarily creative."

The business-friendly tax regime in the south has helped to fuel an economic boom there. Whatever the Ulster assembly does, Mr. Mahony said he expected the south's good fortune to spill over.

"Northern Ireland could become an emerging market," he said. "We have a Celtic tiger to the south; the chances of becoming a Celtic cub are there."

For further information, contact:

- BWD RENSBURG: Telephone: 44 1223 321 002 (Patrick Mahony)
- GARTMORE IRISH SMALLER COMPANIES FUND: Telephone: 44 171 782 2291, or, toll-free in Britain, 0800 289 336. Website: www.gartmore.com



Peaceful Backwaters Trade Up to Own Bourse

LIKE NORTHERN IRELAND, the Channel Islands suffer from a lack of proximity to fund managers. Unlike Northern Ireland, these specks in the English Channel, far closer to France than Britain, are not riven by political turmoil or violence.

The principal islands, Jersey and Guernsey, are placed places with no riving of any sort—but an attitude among investors that the islands are too small to bother with keeps a lid on valuations of the London-listed companies based there. Being an offshore financial center, the Channel Islands plan to counter their low profile with their own stock exchange this fall.

"Looking across the board there are cheaper valuations than in the U.K. or other markets," observed Shane Le Prevost, head of the brokerage Collins Stewart (CI) Ltd. Whether that is justified is debatable.

"Take Guiton Group," he said, using the Jersey newspaper publisher to illustrate his point. "You could argue, 'Where is it going to expand?' So maybe it should carry a lower price-to-earnings multiple than a mainland publisher."

But, he added, "you could also argue the other way, that it's a monopoly and should carry a premium."

In either case, he likes Guiton's shares, as well as those of International Energy Group Ltd. The name sounds grand for a Guernsey company, but it actually has interests in Portugal, in addition to

being the gas utility in Jersey, Guernsey and the Isle of Man. The company's stock "is up 50 percent this year," Mr. Le Prevost said, "but I believe it will provide good value on a longer-term view."

Ann Street Group Ltd., a Jersey-based brewery, likewise has "a reasonably low P/E and represents good value," he said, although cool, wet weather in the region this summer could temporarily depress profits.

The best-known Channel Islands company lately — and unfortunately — is Flying Flowers Ltd. Its share price was cut in half last month after disclosure that a gardening venture had failed. It had been expected to produce strong returns and so earnings estimates were slashed.

Flying Flowers Ltd. "now looks very cheap," Mr. Le Prevost said, arguing the gardening effort was "a one-off management mistake." Speaking of mistakes, the brokerage had a buy rating on the stock before the price collapsed.

Mr. Le Prevost is one of the architects of the Channel Islands Stock Exchange, due to open in October. The exchange will list companies too small to trade in London and will provide a second home for local London-listed companies. It will also list investment funds and debt instruments.

"The response we've had from both islands, from London and from further abroad has been encouraging," he said.

Peter Patrel, an investment director at Cater Allen, a Jersey brokerage, is reserving judgment. His firm has decided not to be a marketmaker — a broker that agrees to continually provide offers to buy and sell shares in certain stocks in order to maintain liquidity — when the exchange opens.

"It's a very novel idea; it will be a limited market to start with," Mr. Patrel said. "We're waiting to see how it pans out, but there's a willingness to push this forward and put some of these stocks more into the limelight."

The problem for the exchange, and for the market generally, is that this is an era of global investing, and the Channel Islands constitute a very small piece of the globe. Mr. Patrel said even his local clients show little interest in the market.

"If you're looking for a steady investment that isn't going to crash, these will hold up well," he said, but "in a global portfolio, one needs to use companies not limited in exposure to a given market. If you want a pharmaceutical company, don't look for one in each country, buy an international one. With these Channel Islands companies, you can't do that."

— CONRAD DE AENLLE

FOR INFORMATION about publicly traded companies based in the Channel Islands, call Peter Patrel at the Jersey brokerage Cater Allen, Jersey, 44 1334 638 010, or Shane Le Prevost at the Guernsey brokerage Collins Stewart (CI) Ltd., 44 1481 726 511. Mr. Le Prevost can also provide information about the pending opening of the Channel Islands Stock Exchange.

In Dublin, a Celtic Cub Earns Its Stripes and Grows Into a Full-Fledged Tiger

By Aline Sullivan

THE CRAIC, or good time, in Ireland is going strong. Investors worried that the country's five-year boom would hit the buffers, if only because its economy is so small, have so far been proved wrong. Instead, the Celtic tiger cub is growing up.

That is partly because the Irish people are growing up — literally. A wave of baby boomers aged 15 to 24 means that by 2006 the labor force will be almost 30 percent larger than it is today, according to Dermot O'Brien, an economist at NCB Stockbrokers in Dublin. Married women are also entering the work force in droves, as are many recent immigrants.

That would have been bad news a decade ago, when Ireland's unemployment rate was near 20 percent, more than twice current levels, and school children were prepared for emigration. Today, it is perceived by many professional investors to mean that the country's surging economic growth is sustainable.

"We should have at least 6 percent growth in gross domestic product each year until at least the middle of the next decade," Mr. O'Brien predicted. That's not quite the average 8.4 percent recorded each year since 1994 but it is enough to keep Ireland's economy the fastest-growing in western Europe.

Michael Crowley, an economist at Davy Stockbrokers in Dublin, seconded that view. "We expect a very modest slowdown in 1999, to

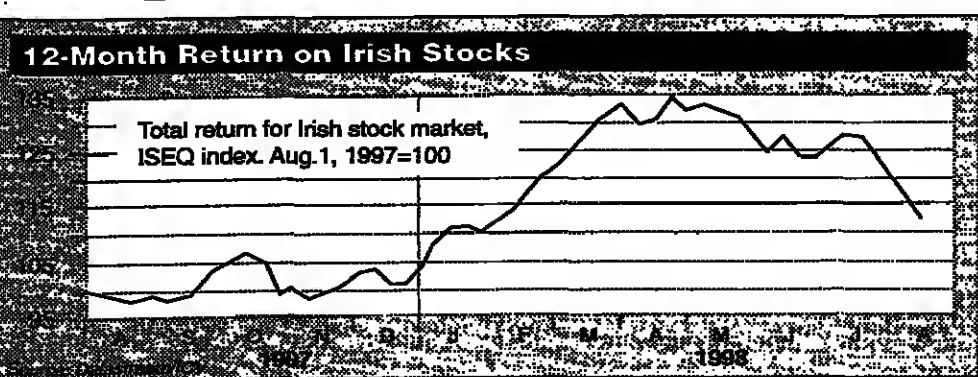
about 7 percent annual growth. But that shouldn't have much impact on the equity market because Ireland is still growing so fast."

Of course, prosperity is not built on population alone. Multinational companies setting up in Ireland to take advantage of its favorable tax regime and educated, English-speaking work force, have accounted for about half the country's annual economic growth. Industry analysts reckon that there is safety in the multinationals' presence and in their sectors: many are in the rapidly expanding computing, chemical and electrical engineering fields.

DUBLIN'S THRIVING offshore financial-management center has also been a boon, thanks to significant grants and tax concessions from the European Union. The irony is that Ireland is now one of the very few EU members in good shape for monetary union next year.

Longer term, the outlook is almost as rosy. In contrast to the rest of the European Union, where most countries are facing pension-funding crises as their populations age, the proportion of retirees in Ireland will remain relatively low until 2011 and increase only slowly thereafter. The median age of the population, now about 30 years, will not reach the current European level of about 40 for two decades.

At the same time, families are having fewer children than in the past. By 2006 the numbers aged over 20 in the population are forecast to rise



by 500,000 and those under 20 to decline by 100,000.

"Falling dependency is boosting wealth, increasing the size of the domestic market and supporting strong growth in demand and employment in the services sector," Mr. O'Brien said.

A RARE SOUR NOTE was sounded last week by the independent Economic and Social Research Institute, which warned that Ireland needs to rein in wage increases to keep its economy on a steady course of sustainable growth and low inflation.

"The principal danger to our relatively benign projection of economic prospects over the next 18 months and beyond is that the disciplined

approach to pay determination might break down," said the institute in its quarterly review. "A renewed commitment to the partnership strategy, which has proved so successful over the past decade, is becoming a matter of great urgency."

The institute said it was raising its forecast for annual inflation this year to 2.8 percent from 2.7 percent in 1997, with the rate picking up to about 3 percent late in 1998. It forecast that growth in gross domestic product, adjusted for inflation, would slow slightly, to about 7.75 percent in 1998, with a further fall to 6.5 percent in 1999.

But export growth in goods and services will soar 20.75 percent in value, compared with an earlier prediction of 12.75 percent, thanks to a lower-than-expected impact from the Asia crisis

on the value of Ireland's electronics exports and a surge in chemical exports due to production of the active element of the anti-impotence drug Viagra, which is made at the Irish unit of Pfizer Inc. in County Cork.

Perhaps most importantly, employment will rise by 4 percent in 1998 and 3 percent the following year, compared with a 5 percent rise in 1997, the institute predicted.

Buying in to the Irish boom is straightforward. Consumer spending on cars, entertainment and leisure are rising rapidly, as is demand for new housing and such associated products as household durables and financial services. At the top of many analysts' lists in these sectors are Eilan Corp., Kerry Corp., Independent Newspapers PLC and Galen PLC, a pharmaceuticals maker.

HEALTH INSURANCE and pension products in particular are expected to be sought after as the median age of the population rises. John Conroy, an analyst at NCB, is advising clients to buy shares in Irish Life as the best demographic play in the financial sector. He is also bullish about most of the Irish banks, including Allied Irish Banks PLC and Bank of Ireland.

"Banks will also be beneficiaries of the very positive demographic story in Ireland which will underpin general growth in loan demand," said Mr. Conroy. "Valuations of the Irish banks are still broadly in line with European banks, despite

Continued on Page 17

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What a Difference 18,263 Days Make: Investing With a 50-Year View

So, in a typical American stock market tale, \$30 grew to \$827.84. I told this story the other day to a group of teenagers at an inner-city

The lesson here is that the most important factor in investing is time. It is not stock-picking and certainly not market timing — trying to guess the short-term direction of stocks. The trick (if you can call it that) is to buy a piece of a great

In its latest prospectus, the fund, now called Lexington Corporate Leaders, provides figures going back to 1941. Assume that, back then, you put up \$10,000. The load (or commission) at the time was a hefty 12 percent, so only \$8,799 of your money was actually invested. If you reinvested all dividends and capital gains automatically in new shares that original \$10,000 would be worth \$4,361,304 today.

If you were building a portfolio for the next half-century, it might look like the Wired Index, a group of 40 bellwether stocks for the new economy, assembled by the editors of Wired magazine, the hip high-tech monthly. It is an

Washington Post Service

For further information:

- THE WIRED INDEX is viewable on the Internet at <http://stocks.wired.com>.
- LEXINGTON CORPORATE LEADERS. Telephone: 1 201 845 7300, or, toll-free in the United States, 1 800 526 0056.

; Since then, few rollercoasters have offered anything like the thrill of the Karachi Stock Exchange. In recent weeks particularly surges and plunges have followed each other in rapid succession as investors weighed the

3.0 percent this year, compared with 3.7 percent in 1997 and 8.1 percent the year before. Hardly the 6 percent growth we expected from economic tigers but still a significant improvement on the average annual growth of 1.8 percent recorded in the last decade.

than in Pakistan," he said. "Zimbabwe has a very poor investment environment right now but it still has potential. Pakistan has some of the worst economic fundamentals in the world."

—ALINE SULLIVAN



But Tom Mulcahy, the chief executive officer, said the bank was not greatly exposed to Asian economies or to a slowing British economy. Bank executives also emphasized that they

For further information, contact:

- **OMI IRISH EQUITY FUND.** Telephone: 352 317 8311. Fax: 352 317 8315 00.
- **GARTMORE IRISH SMALLER COMPANIES FUND.** Telephone 44 (1) 782 2991, or, toll-free in Britain, 0800 299 336. Website: www.ici.co.uk/gartmore.
- **IRISH INVESTMENT FUND INC.** Telephone: 1 212 783 7000, or, toll-free in the United States, 1 800 468 6475.
- **FIRST IRELAND INVESTMENT TRUST.** Telephone: 353 (1) 661 7077.
- **QUILTER EMERALD EQUITY CO.** Telephone: 44 (1624) 622 699.

Applying the same measures in Europe, the firm found the relatively high yields on British and French stocks, 2.5 percent and 2.3 percent, respectively, compare favorably with their bond yields. French bonds were returning a modest 4.6 percent, while British bonds yield 5.6 percent. (IHT)

North The Top Fund

In another move to promote participation by individuals,

(AFP)

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It has been a dismal year for most investors in emerging markets, yet takeover activity is booming, especially in Asia, where companies from developed countries have gone on a shopping spree, lured by bargain prices and new opportunities.

هذه امان الاله

WORLD ROUNDUP

**Italian Soccer Stars
Quizzed by Prosecutors**

DRUGS Alessandro Del Piero, Dino Baggio and Enrico Chiesa, three Italian World Cup players, were questioned Friday by prosecutors investigating possible use of performance-enhancing drugs. Del Piero, who plays for Juventus, was heard by prosecutor Raffaele Guariniello in Turin. Chiesa and Dino Baggio, of Parma, were questioned by prosecutor Giovanni Spinosa in Bologna. The three were summoned as "people acquainted with the facts."

Three investigations have started since Roma coach Zdenek Zeman denounced the use of medicine in Italian soccer.

The International Olympic Committee plans to ask drug manufacturers to attend a meeting in Lausanne on drugs in sport, Kevin Gosper, a member of the executive board, said Friday.

Gary Hall, a U.S. swimmer who won four medals at the 1996 Olympics, has been reinstated after a provisional suspension for a positive marijuana test. FINA, the sport's governing body, did not say if suspension had been canceled or if Hall was merely being allowed to race pending a hearing.

Tyson Redirects Appeal

BOXING Mike Tyson's advisers abruptly withdrew his application for a New Jersey boxing license Thursday, deciding instead to reapply in Nevada, the state that revoked it last year. The New Jersey Athletic Control Board was due to rule Friday.

Union Changes Focus

BASKETBALL In a sudden shift in strategy, the National Basketball Players Association Thursday withdrew its unfair labor complaint with the U.S. National Labor Relations Board.

The move came hours before the board's regional director was to issue his recommendation on the union's contention that owners imposed a lockout illegally.

The union said it wanted to focus on an arbitration hearing, which starts Aug. 24.

Tiger Woods Reduces Power as He Aims for Glory

**Without Driver,
The Long Hitter
Avoids Trees**

By Clifton Brown
New York Times Service

REDMOND, Washington — He never used his powerful driver and his ball striking was not up to par, yet Tiger Woods ended up in first place after the first round of the PGA Championship.

Shooting a 4-under-par 66, and setting a course record while smartly winding his way between the monstrous trees

PGA CHAMPIONSHIP

at Sahalee Country Club, Woods held a two-stroke lead over a large group.

Woods' red-hot putter turned what could have been an average round into a superb one Thursday. Woods made five putts of 15 feet (4.5 meters) or longer — the most confident he has looked with his putter in a major tournament since the 1997 Masters, when he rolled to a record 12-stroke victory.

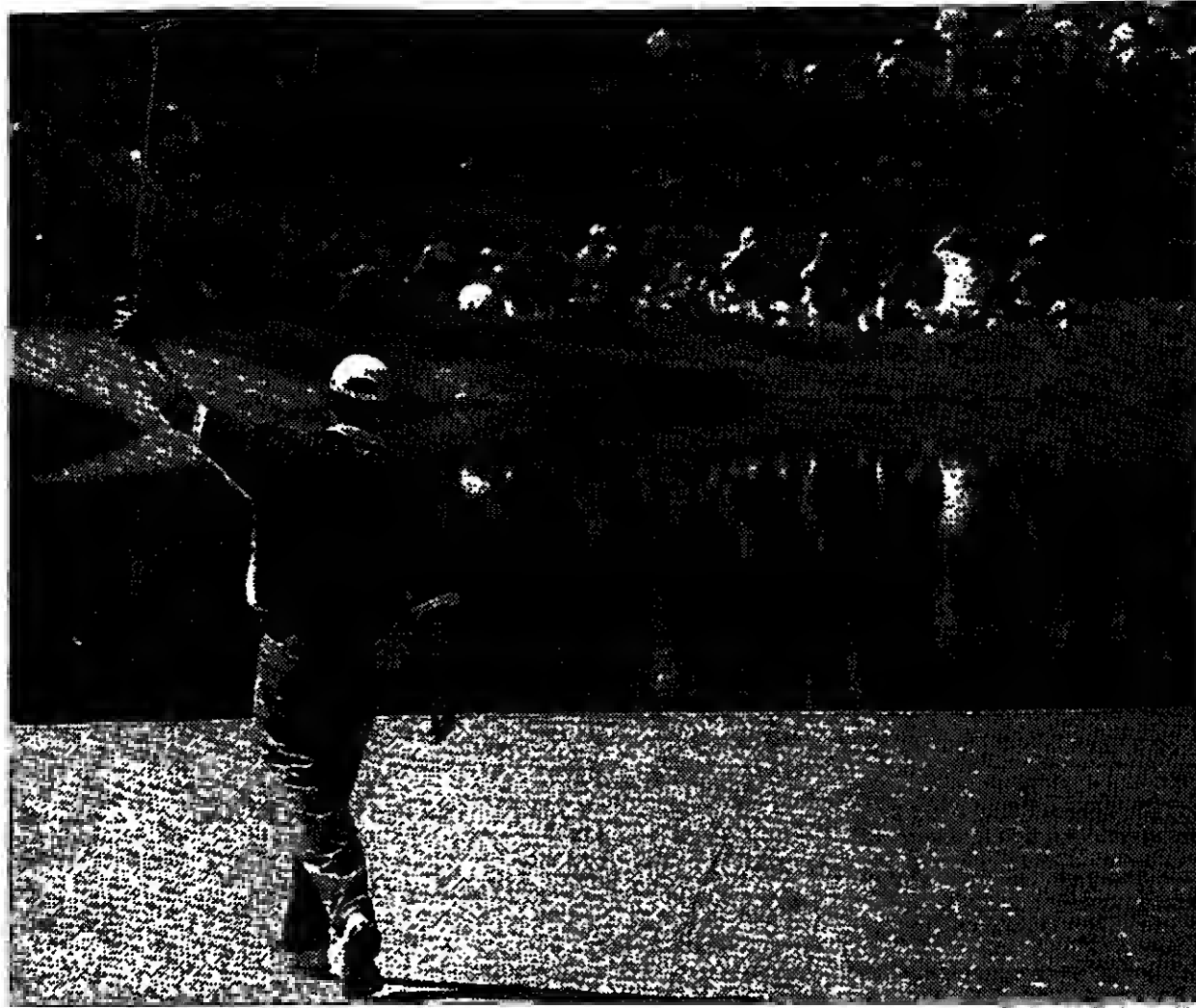
And by electing to keep his driver in the bag and relying primarily on his 2-iron and 3-wood for tee shots, Woods both avoided the danger of Sahalee's trees and gave an early indication that he feels confident enough to win.

"I think my length is definitely a huge advantage on this course," said Woods, whose 66 broke the previous course record of 67 by Jack Nicklaus during an exhibition in 1984. "I'm able to hit 2-irons and 3-woods where guys are having to hit driver. I'm able to carry the ball out there and land it softer."

While Woods held the lead, the tightly bunched leader board held intriguing possibilities for the weekend. The tie for second place included Paul Azinger, the 1993 PGA champion; Craig Stadler, the 1982 Masters champion; and Glen Day, Bob Estes, Bill Glasson, Frank Lickliter and Shigeki Maruyama.

Mark O'Meara, trying to become the first man since Ben Hogan in 1953 to win three majors in the same year, shot a solid 69, leaving him just three strokes off the lead. O'Meara, who was 2 over par through six holes, showed his resiliency by shooting 3 under par over the next 12 holes.

"I kept myself in the ball game," said



Tiger Woods saluting after making a 35-foot putt for birdie on No. 17 in the first round of the PGA Championship.

O'Meara, who came from behind to win both the Masters and the British Open. "I think it's exciting. I have nothing else."

Not to win, O'Meara will have to catch Woods. Woods has been using O'Meara's backup putter — or as Woods put it, "The one I stole" — for the past month.

Woods set the tone for the day by making an 18-footer on No. 3 to save par, but he was just getting started. He made a 15-footer for birdie at No. 5, an 18-footer for birdie at No. 7, an 18-footer for birdie at No. 13 and a brilliant 35-foot downhill putt for birdie on No. 17. And for the first time this year, he has the feeling golfers dream about,

when every putt looks easy to read and the cup seems just a little bigger.

"I can't really explain why," Woods said. "Anyone who plays this game knows putting comes in cycles. You have to ride it when you have highs and try to get over slumps as quick as possible."

As for slumps, Woods has found himself defending his performance this year, despite nine top-10 finishes, a victory in the Bell South Classic, a victory in the Johnnie Walker Classic in Thailand and a third-place finish in the British Open.

For most players, that would be an impressive season. So while Woods admits he would love to have more vic-

tories this year, his patient performance Thursday was another example of the progress he has made since last year, when he tied for 19th at the PGA Championship.

While most players found the back nine tougher than the front, Woods shot 34 on the front and 32 on the back. Meanwhile, others who threatened to end the day with at least a share of the lead had difficulty on the final holes.

Glen Day reached the 15th green at 5 under par with a one-stroke lead over Woods, who was already in the clubhouse. But Day made his first blunder of the day, three-putting from 6 feet for a double bogey that dropped him out of first place.

**Singh Starts
PGA 2d Round
With 5 Birdies**

The Associated Press

REDMOND, Washington — Tiger Woods was still on the practice green Friday when his lead evaporated in the PGA Championship.

Vijay Singh made five birdies on the front side to shoot a 30 and take temporary possession of the lead under ideal conditions at Sahalee Country Club.

Woods, who shot a 66 on Thursday, was still an hour away from teeing off in the second round when Singh made a birdie putt on the ninth hole to move to 5 under for the tournament, a stroke ahead of Woods.

Another stroke back was Steve Elkington, the 1995 champion who started the day 1 under and was at even par when he birdied three holes in a row beginning at the par-5 11th to move into contention.

Fred Funk birdied three of his first six holes to move to 3 under par but then slipped back to 2 under.

Burton Holds Lead in Open

Brandie Burton, winner of the Du Maurier Classic two weeks ago, carded a 2-over 74 but moved into the halfway lead in the windswept Women's British Open on Friday. The Associated Press reported from Lytham St. Anne's, England.

Burton goes into the third round, on Saturday, at 1-over on 145 with a 1-stroke lead over a fellow American, Leslie Spalding.

A bogey at eight and double bogey at nine briefly cost Burton the outright lead. But she birdied the par-5 11th to regain a 1-stroke advantage.

Spalding, who only gained the draw as an alternate, made a 2-under 70 for 146 and second place. One of her four birdies included a 60-foot putt.

Wendy Ward carded a 71 for a 3-under halfway total of 147. She is tied with Janice Moodie of Scotland and Suzanne Strudwick of England, who both made level par 72s.

Se Ri Pak, winner of two majors in this her rookie season on the U.S. Tour, was seven off the lead after a second round 74. The co-leader overnight, bogeyed the first four holes for a 5-over 77 and slipped to three off the lead.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE					
	EAST DIVISION				
	W	L	Pct.	GB	
New York	88	52	.252	—	Ponson, D.
Boston	70	68	.293	18%	Key (Clay), P.
Baltimore	63	57	.235	26%	Westerfield, G.
Philadelphia	61	59	.238	28%	(Clay), P.
Tampa Bay	46	72	.390	42%	By Anderson
CENTRAL DIVISION					
Cleveland	55	52	.553	—	Tampa Bay
Kansas City	54	66	.450	12%	Kansas City
Chicago	53	65	.449	12%	Chicago
Minnesota	46	72	.344	14%	Hernandez, J.
Detroit	46	72	.390	19%	(Clay), P.
WEST DIVISION					
Texas	55	53	—	—	Almoninger
Anaheim	64	54	.333	1%	Harris-Tampa
Seattle	54	67	.442	11%	Palmer (Clay), P.
NATIONAL LEAGUE					
	EAST DIVISION				
Atlanta	88	41	.681	—	Alfonso
New York	64	54	.542	14%	D. Boeckner
Philadelphia	61	57	.507	—	(Clay), P.
Montreal	49	72	.405	31%	Atlanta, G.
Florida	44	77	.364	36%	Clay, P.
CENTRAL DIVISION					
Houston	75	46	.620	—	Von Posner
Chicago	64	55	.540	9%	Doveless (Clay), P.
St. Louis	58	61	.479	17%	Kendall, H.
Pittsburgh	57	62	.479	17%	Groves (Clay), P.
Cincinnati	53	68	.438	22%	Clay, P.
WEST DIVISION					
San Diego	78	43	.645	—	HRs—Pitts.
San Francisco	61	58	.521	15%	(Clay), P.
Los Angeles	61	60	.504	17%	Clay, P.
Colorado	56	65	.465	22%	Hoots
Arizona	45	75	.375	32%	Woodard
THURSDAY LEAGUE					
Texas	699	609	2-1		Hughes (Clay), P.
New York	101	609	2-2		Florida
Helling and L. Rodriguez	101	609	2-2		Los Angeles
St. Louis	101	609	2-2		Atlanta
3-L. Helling, 15-7, 5-N. Almoninger	101	609	2-2		Monte Boeckner
Ramblon	101	609	2-2		(Clay), P.
Chicago	101	609	2-2		
C. Finley, P. Harris	101	609	2-2		
Coatman (Clay), P.	101	609	2-2		
W. Harris, Sinclair (Clay), P.	101	609	2-2		
1-L. L. Helling, 6-3, 5-N. Sinclair	101	609	2-2		
HR—Tampa, 5-N. Green	101	609	2-2		
Minnesota	880	602	3-0	12	
Philadelphia	880	602	3-0	12	
Rodriguez, T. Miller (Clay), P.	101	609	2-2		
Goatman (Clay), P.	101	609	2-2		
P. Harris, Sinclair (Clay), P.	101	609	2-2		
1-L. L. Helling, 6-3, 5-N. Sinclair	101	609	2-2		
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SPORTS

A Young Owner on the Fast Track

Pollock Engineers the Deals at the Tyrrell Formula One Team

By Brad Spurgeon
International Herald Tribune

PARIS — Craig Pollock is a persuasive man. That is why, at 42, he is the youngest Formula One team owner.

Last November, he convinced one of the world's largest tobacco companies and another partner to join him in buying the team of the oldest and longest-lasting team owner, Ken Tyrrell, 73.

As the Formula One season heads for its 12th race Sunday at the Hungarian Grand Prix, the Tyrrell team has yet to score a point. No one involved seems worried. The team is just treading water as it marks the end of one era and the beginning of another.

In conversation, Pollock, a healthful Scottish former physical education teacher, fixes his interviewer with his pale blue eyes while explaining how he moved from teaching in a Swiss private school to owning a Formula One team.

Pollock left teaching and began a promising business career at a Swiss-based company selling motor sport rights. But the story of British American Racing, as the team will be called next year, really started in 1991 after Pollock ran into a former pupil at the Japanese Grand Prix. The pupil was the equally persuasive Jacques Villeneuve, who decided at once that Pollock was the man to manage his mediocre racing career.

At first, Pollock was not interested. But when in 1992 he finally agreed, he moved Villeneuve out of Europe, where he had been racing in lower formulas, and eventually to North America. There, rather than selling his driver to a team, he created a team around his driver. To pay for this Indy racing project he obtained sponsorship from Imperial Tobacco, a Canadian cigarette manufacturer owned by British American Tobacco, based in London.

The team succeeded. Villeneuve won the Indianapolis 500 and the 1995 IndyCar drivers' title. This caught the attention of Formula One's top team, Williams. Villeneuve joined in 1996, leaving his Canadian tobacco company behind. Last year he won the Formula One drivers' title. But this year he is only sixth, with 16 points.

When Villeneuve announced three weeks ago that he will drive for the BAR team in 1999, few insiders were surprised. The players are the same. Tom Moser, the IndyCar team's man at Imperial Tobacco, has become head of sponsorship at the parent organization, British American Tobacco. He has agreed to fund the project. The chassis will be built by Andrew Reynard, who built the IndyCar chassis. He is the other partner in the team. But if the players are the same, Pollock's role is different.

"It was so busy looking after Jacques that I forgot about trying to keep an

equity position in the team," he said. "That is why, in creating a Formula One team, I am now a team owner."

Reynard has won every series his cars have entered. But in Formula One the car design rules change yearly. Cars must be made by the team itself, rather than being bought "off-the-shelf" from a supplier, as in IndyCar.

In Formula One, said Pollock, "your chances of coming out of the box and winning are ten times less than they would be in IndyCar."

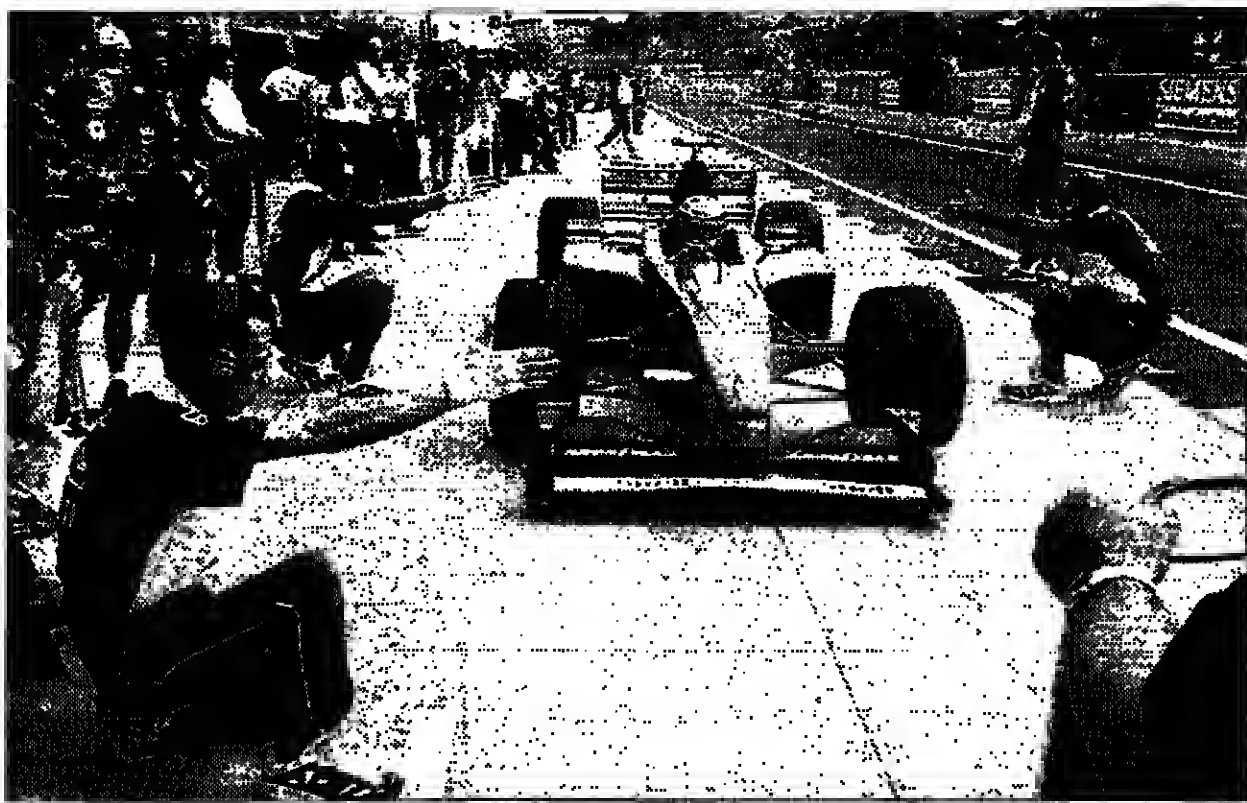
But he is not starting from scratch. Tyrrell had a staff of 115 employees, and that number will nearly double.

Buying an existing team is the only way for a new owner in Formula One to be guaranteed space on the starting grid and a cut of Formula One's lucrative television and promotional rights.

Ken Tyrrell was not seeking a buyer. He was as keen on racing as he was three decades ago when Jackie Stewart drove Tyrrell's cars to three world titles.

"We were having difficulties finding sufficient funds to do the job properly," Tyrrell said, "and British American Racing came along with a very generous offer, so we decided that was the best thing to do."

Formula One had changed since Tyrrell's first year, 1968, when his total sponsorship was less than £100,000 and he paid Stewart £20,000. Michael Schumacher earns an estimated \$35 million a



Michael Schumacher making a pit stop during a practice session Friday for the Hungarian Grand Prix Sunday.

year with Ferrari and BAT is contributing an estimated \$300 million over five years to BAR.

Tyrrell was to spend a final season on the circuit, but after a disagreement with Pollock over this year's budget, he retired before the season started last March. He had not missed a race in 30

years. He said recently that he is not happy in retirement. "I'd rather be doing what I was doing," he said.

Harvey Postlethwaite, Tyrrell's technical director, said change was needed. "The team was struggling because we were undercapitalized," he said. Money may again leave them behind

after tobacco sponsorship is outlawed throughout Europe next decade.

"It's no bigger problem for our team than it is for the other top teams," Pollock said, since the top teams all depend on tobacco sponsors. As BAT is part owner, he said he would also be looking toward them for solutions.

El Duque Rules in Bronx

The Associated Press

Orlando Hernandez set a New York Yankee rookie record with 13 strikeouts as New York beat Texas, 2-0.

The quirky Hernandez (8-3) mixed his pitches and arm angles as he allowed

AL Roundup

just two hits in 8 1/4 innings against the American League West leaders Thursday and left to a standing ovation.

"I won 129 games pitching in Cuba, and have pitched in some very big games, and this one was big," said Hernandez, who is known as "El Duque."

"He made a lot of pitches different," said Ivan Rodriguez, the Texas catcher. "He threw over the top, he threw three-quarters, he threw from the side. He's got so many releases, it's hard to see."

New York improved to 46-8 at Yankee Stadium. It's on pace to beat the top home record in history, set by the Reds in Cincinnati at 64-17 (1990). In 1975, the Yankees won with just three hits.

Rick Helling (15-7) lost despite pitching a complete game. Helling set down 14 straight batters at one stretch and gave up only one hit after the first inning.

Orlando Hernandez set a New York Yankee rookie record with 13 strikeouts as New York beat Texas, 2-0.

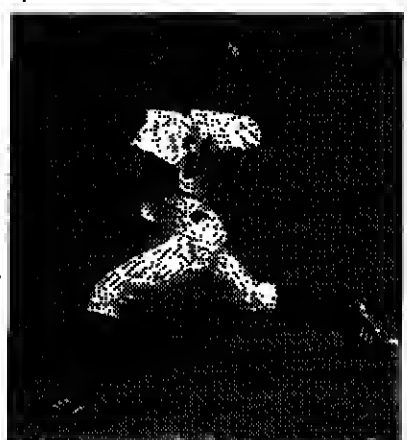
After the game, Cleveland signed Cecil Fielder to help ease the loss of injured first baseman Jim Thome. Fielder cleared waivers earlier in the day after being cut by Anaheim.

Red Sox 8, Twins 7 Nomar Garciaparra homered, singled and hit a go-ahead double in the seventh inning as the Red Sox beat Minnesota in Boston.

Garciaaparra is batting .358 with a .704 slugging percentage in 19 games since the Red Sox moved him into the cleanup spot.

Blue Jays 4, Angels 3 Jose Cruz Jr. hit a two-run single in the eighth inning as host Toronto won its fifth straight game and snapped Anaheim's four-game winning streak.

Royals 6, Devil Rays 4 Dean Palmer



Orlando Hernandez of the New York Yankees pitching against the Texas Rangers on Thursday.

ended a frustrating stretch with a two-run homer in the 10th inning at Kansas City. Palmer had stranded 14 runners in his previous two games, striking out five times and grounding into two double plays in eight at-bats. But with one out in the 10th inning, Palmer connected for his 26th home run.

Atlanta Regains Edge Over San Diego

The Associated Press

SAN DIEGO — Tom Glavine pitched a two-hitter for his second straight shutout, Chipper Jones homered and scored three runs, and Andrew Jones went 3-for-4, as the Atlanta Braves prevented San Diego from sweeping the series between the National League's top two teams.

The series was heavily hyped, but Glavine downplayed its importance. "I still believe we feel like we've got a great ballclub, and I know they feel like they have a great ballclub," he said. "I don't think that anything that happened here these last three days changed that."

But Chipper Jones said doing well in a season series might give one team a mental edge over another should they meet again in the postseason.

"I know last year the Marlins beat us like eight out of 12 times," he said. "Mentally, they had it on us. It was a factor come NL Championship Series time." The Marlins won.

The Braves regained a two-game lead over the Padres in the overall NL standings with the 5-0 victory Thursday. The teams will meet again next Thursday and Friday at Atlanta.

Glavine (16-4) became the NL's second 16-game winner. San Diego's

run deficit to complete a three-game sweep in Cincinnati.

Pirate starter Todd Van Poppel lasted only one-third of an inning, giving up five runs on four hits and a pair of walks as the Reds pulled ahead, 5-0.

But Pete Harnisch blew a 5-0 lead for the second time this season, falling apart after he retired the first nine batters.

Astros 6, Brewers 2 Ricky Gutierrez hit a three-run triple and Jose Lima pitched eight strong innings as Houston beat visiting Milwaukee. It was the Astros' seventh straight victory.

Pete Incaviglia, making his first appearance for the Astros since getting called up from Triple-A New Orleans on Monday, added a two-run double in the eighth.

Dodgers 5, Marlins 2 Adrian Beltre hit a two-run homer as Los Angeles avoided a three-game sweep at home. Brian Bohannon (6-7), the Dodgers' best starter since he was acquired July 10 in a trade with the New York Mets, gave up two runs on four hits in eight innings. Jeff Shaw pitched the ninth.

NL Roundup

Andy Ashby was the first, outpitching Maddux in the Padres' 5-1 win Wednesday night.

Glavine faced just four batters over the minimum and extended his streak of scoreless innings to 23.

The Braves got to Padres starter Mark Langston early. The first five Brave hits were for extra-bases — four doubles and a solo homer by Gerald Williams — to give Atlanta a 3-0 lead after three.

Chipper Jones and Andres Galarraga hit consecutive doubles in the first for a 1-0 lead. Williams homered leading off the third.

Pirates 9, Reds 6 Kevin Young homered, and Lou Collier hit a tiebreak-

DENNIS THE MENACE



Dennis the Menace comic strip panel.

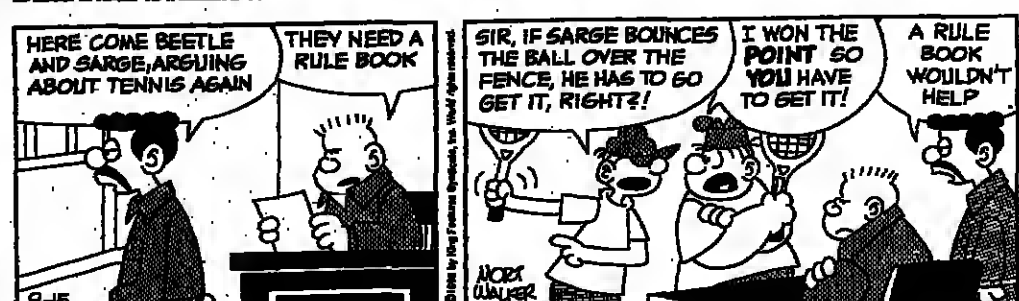
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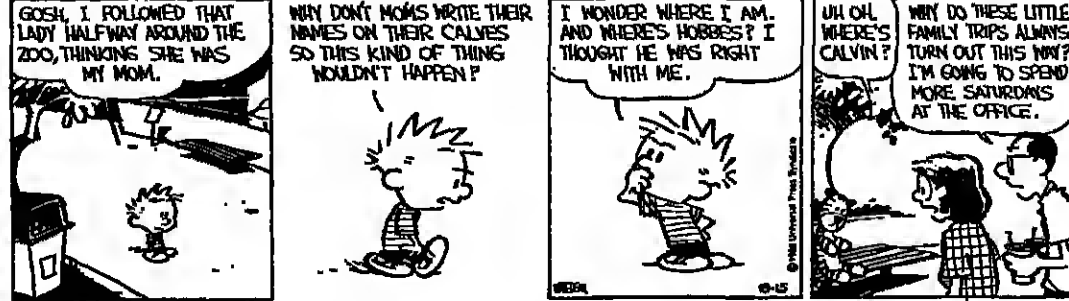
BEETLE BAILEY



BLONDIE



CALVIN AND HOBBES



WIZARD OF ID



NON SEQUITUR



DOONESBURY



JUNIPER
That Scrambled Word Game
by David L. Johnson and John A. Johnson
Answers: 1. J. 2. N. 3. I. 4. P. 5. E. 6. R. 7. O. 8. U. 9. S. 10. Y. 11. W. 12. H. 13. G. 14. F. 15. V. 16. B. 17. C. 18. D. 19. L. 20. M. 21. P. 22. Q. 23. R. 24. S. 25. T. 26. U. 27. V. 28. W. 29. X. 30. Y. 31. Z.

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EUROSPORT

DAVE BARRY

Paris Without the 'R'

MIAMI — This summer, for my vacation, I went to Paris, France. I went there to follow in the footsteps of such great writers as Ernest Hemingway, Henry Miller and F. Scott Fitzgerald, all of whom, for the record, are currently dead.

I blame the Parisian drivers. Paris has only one vacant parking space, which is currently under heavy police guard in the Louvre museum. This means that thousands of frustrated motorists have been driving around the city since the reign of King Maurice XVII looking for a space, and the way they relieve their frustrations is by aiming at pedestrians, whom they will follow onto the sidewalk if necessary.

Often the only way to escape them is to duck into one of Paris's historic cathedrals, which fortunately are located about every 25 feet (or 83.13 liters).

Nevertheless, it's very pleasant to walk around Paris and feel — as so many Americans feel when they're in that incredibly beautiful city — fat. Because the fact is that we Americans look like enormous sneaker-wearing beef cattle compared to the Parisians, who tend to be very slim, with an average body weight of 38 pounds (7.83 meters).

It's odd that the French appear to be in such good shape, because the major activity in Paris, aside from trying to run over pedestrians, is sitting around in cafés for days at a time looking French.

Sometimes we Americans try to blend into the café scene, but the French immediately spot us as impostors, because we cannot pronounce the Secret French Code letter, which is "R." It is virtually impossible for a non-French person to make this sound; this is how the Parisian café waiters figure out that you are an American, even if you are attempting to pass as French.

WAITER: "Bonjour. Je suspect que vous êtes Américain."

YOU: "Good day, I suspect that you are American."

WAITER: "Au quai, monsieur pantalons intelligents, prononcez le mot 'Rouen'." ("O.K., Mr. Smarty Pants, pronounce the word 'Rouen'.")

YOU: "Woon." ("Woon.")

WAITER: "Si vous êtes Français, je suis l'Homme de la Bate." ("If you are French, I am Batman.")

The other sure-fire way to tell the difference between French people and Americans in a café is that the French are all smoking, whereas the Americans are all trying to figure out how much to tip.

The tourist guidebooks are vague about tipping: They tell you that a service charge is USUALLY included in your bill, but it is not ALWAYS included, and even if it IS included, it is not necessarily TOTALLY included. On top of that, to convert from French money to American, you have to divide by six, and I have yet to meet anybody who can do this.

And so while the French are lounging and smoking and writing novels, we Americans spend our café time darting nervous glances at the bill, which is often just a piece of paper with a lone, mysterious, not-divisible-by-six number scrawled on it such as "83."

We almost always end up over-tipping, because we're afraid that otherwise the waiter will make us say another "R" word. I frankly don't know how the French handle tipping, because in my two weeks in Paris I never saw a French person actually leave a café.

Not that I am being critical. As a professional journalist, I like the idea of a society where it is considered an acceptable occupation to basically sit around and drink. In fact, I liked almost everything about Paris. The city is gorgeous, the food is wonderful and they have these really swoopy high-tech public pay toilets on the streets that look as though, if you went into one, you might get beamed up to the Mother Ship.

Also Paris has a terrific subway system, Le Metro (literally, "The Metro"). I always felt safe and comfortable in the Metro, although one time, when I was waiting for a train, the loudspeaker made an announcement in French, which was repeated in English, and I swear this was the whole thing: "Ladies and gentlemen, your attention please. Robbers are in the station. Thank you." None of the Parisians seemed the least bit alarmed, and nobody robbed me, which was a good thing, because I would have had no idea how much to tip.

In next week's column I will tell you about some of the famous tourist attractions of Paris, such as the L'Arc de Triomphe, Notre Dame, the Leaning Tower of Pisa, etc. Until next week, as the French say, "Au revoir." (Literally, "Woon.")

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This city has only one vacant parking space, and it's at the Louvre.

Saga of a Statue: The Struggles of Rodin's Balzac

By Mary Blume
International Herald Tribune

PARIS — It took 41 years for Rodin's statue of Balzac to find a public space, at the corner of boulevards Raspail and Montparnasse. Even when it was finally inaugurated in the summer of 1939, the site was hardly choice because the statue made people nervous with its wild and unconventional treatment of genius: Why, people wondered, couldn't Rodin have shown the novelist pen in hand instead of striding in his bathrobe and — or so it seems these days — recoiling from the traffic, head thrown back as if to gasp for air.

The statue, Rodin said, was "the result of a lifetime, the pivot of my aesthetic." This was in 1898 when it was first displayed, reviled and rejected by the writers' group that had commissioned it. The Rodin Museum in Paris is commemorating the centennial of the scandal with an exhibition. "1898: Le Balzac de Rodin," detailing its creation and fate.

Balzac died in 1850 and decades later there was still no monument in a period when, as Zola said, statues seemed to spring up like mushrooms overnight. Although his own view was that a writer's work is his monument, Zola said that since statues exist it was wrong to neglect France's greatest novelist. One reason why Zola agreed to be president of the Société des Gens de Lettres in 1891 was probably to get the project going.

That year Henri Chapu was commissioned to do the work and produced a model, seated, holding a quill and wearing the monkish dressing gown that Balzac always wore, with a mask on the pedestal representing the novelist's "La Comédie Humaine." Then Chapu died with the job unfinished and Zola, who had known Rodin since 1889, perhaps earlier, persuaded him to be a candidate. Rodin wrote a letter promising a bronze about three meters tall, to be delivered in



Rodin called his statue of Balzac "the pivot of my aesthetic."

18 months, and was accepted by the Société. Rodin had failed to reckon with his own working methods, which involved collecting every document he could on Balzac, and visiting the novelist's native town of Tours to study local physiognomies (but not, it seems, reading Balzac's collected letters or "La Comédie Humaine"). "For me Balzac is above all a creator and that's what I want to show," he said.

He found a male model in Touraine, who disappeared. He made prodigious nude statues of Balzac before clothing him, first in a frock coat and then in the famous robe. For the robe he got a real one, stiffened it and dipped it in plaster and then made plaster studies, changing details of lapel and sleeve. The haircut and tilt of head were adjusted and readjusted; the

face, which began realistically, had its features blurred and eventually thickened into the roar of despairing genius. Rodin, of course, had missed his deadline.

Zola was no longer president of the Société. His successor threatened a lawsuit and another sculptor tried to get the commission, presenting a model of Balzac as a tidily winged sphinx. Rodin made peace with the Société, putting his 10,000 franc advance in escrow and promising to do his best as quickly as he could. Zola urged him on: "Balzac awaits and his glory should not suffer because of your legitimate concerns about your own."

There were still people alive who had seen Balzac but for all his research Rodin was not attempting a portrait. His "Balzac" is a demiurge rather like himself and not a brain.

(Portraying intellect was not Rodin's strong point. His bust of Shaw, who was all gray matter, is deadly, and despite its name his "Thinker" is clearly a splendid athlete without a thought in his comely noodle). Probably he expected trouble when the completed plaster statue was to be shown at the Salon of 1898, for he also showed his admired "Kiss" in marble and took the precaution of inviting friendly journalists to see the work before the show.

One of the journalists saw Rodin's "Balzac" "drinking and breathing the fever of the human comedy," and another said that the statue at first glance is "a block, a rock, a monolith.... Little by little one discovers the form beneath the envelope, with the rapid light-footed movement of the heavy man and that way of shifting weight that Balzac had and that Lamartine described so well."

So far so good. Then the public came. "A block of salt caught in a shower," "a seal," "a bag of plaster," "a snowman in a bathrobe whose empty sleeve suggests a strait jacket" were some of the comments. The Société des Gens de Lettres turned the statue down.

"I got a broadside like the one you got when it was fashionable to laugh at your invention of putting the air into your landscapes," Rodin wrote to Monet. Baudelaire praised the depiction of Balzac as "the creature of a civilization and of all its battles, ambition and rage." Rilke said Balzac's body showed the pride and arrogance of creation, its vertigo and drunkenness. Offers came from private collectors, a public subscription was started to buy the "Balzac," a petition was signed by Toulouse-Lautrec, Maillol, Clemenceau, Debussy, Monet and Anatole France, but not by Zola whose "J'accuse" came out the same year (Rodin had not joined in the Dreyfus campaign).

The scandal was perhaps inevitable, but 1898, with the Dreyfus affair and with parliamentary elections, was an edgy year: Rodin's statue subverted the conventional

view of greatness and might, people thought, lead to such untoward acts as refusing to pay taxes and even revolution. Rodin refused the public subscription and all offers to buy and decided to keep the statue at Meudon, outside Paris, until the city was ready for it: "The Balzac statue is the logical development of my artistic career. I take entire responsibility for it. And my wish is to remain its sole owner."

But 10 years later the rejection still rankled and Rodin began a campaign for his "Balzac." It was 1908, the year the Balzac museum opened and he donated a plaster model. He also invited the 28-year-old American photographer Edward Steichen to Meudon to photograph the Balzac by moonlight. Steichen spent two nights at work and Rodin gave him 1,000 francs, comparing the images to Christ walking in the desert. "Your pictures will make the world understand my Balzac," he said.

Rodin died in 1917. In 1937 there was a Paris exhibition called Monumental Errors showing the "baroque masses of lard" that decorate Paris's public spaces and works, like the "Balzac," that should be there. A public subscription to cast the work in bronze was already under way (the curator of the Rodin museum gave a mingly 50 francs, the French Communist Party 500). That the bronze should be on public display had been accepted but then the quibbling began about where it should be placed, with no quarter of Paris showing much enthusiasm.

The inauguration in Montparnasse finally took place under gray and showery skies on July 1, 1939, and when war broke out shortly after it went back under wraps for the duration. In 1898, 41 years earlier, a young man who only identified himself as a 20-year-old artist wrote Rodin, addressing him as illustre Maître, a fervent letter of encouragement. One day, he said, the statue would stand in the middle of Paris, breaking stupidity, error and hatred on its pedestal while posterity rendered its solemn homage.

PEOPLE

A RARE book in which Nicolaus Copernicus revolutionized astronomy has been stolen from Ukraine's National Vernadsky Library, the director said Friday. "There are only eight or 10 known copies of this work in the world," Alexei Onishenko said. The work, "On the Revolutions of the Heavenly Spheres," was written in Latin and published in Nuremberg in 1543, the year of the Polish astronomer's death. In it, Copernicus put forward the controversial idea that the sun not the Earth was the center of the universe, defying Christian doctrine at the time.

A celebrity magazine that photographed Paul McCartney and his family in mourning at Notre Dame cathedral in Paris invaded their privacy and intruded upon their grief, a British press commission has ruled. Britain's Press Complaints Commission issued its ruling against Hello! magazine, which published photos on May 30 of McCartney and his family mourning his late wife, Linda, inside Notre Dame. Mrs. Mc-

Cartney died of breast cancer April 17. The ruling was the result of a complaint filed by McCartney. A family spokesman said the ruling "is not only a victory for decent human values, it is also a milestone adjudication in defense of anyone who finds themselves hounded merely because of questionable news values."

A judge issued arrest warrants for ODB of the rap group Wu-Tang Clan after he missed his third scheduled court date on a shoplifting charge. ODB, whose real name is Russell Tyrone Jones is accused of stealing a pair of \$50 Nike shoes from a store in Virginia Beach, Virginia, on July 4 — three days after walking out of a New York hospital with gunshot wounds he suffered when his home was apparently robbed.

A coin dealer accused of swindling the novelist Tom Clancy out of more than \$2 million was indicted on 35 counts of conspiracy and securities

fraud. Prosecutors say Richard Scott bilked not only Clancy, but used the author's name to entice about 130 people in 17 states to invest \$7.5 million. Prosecutors said Scott fraudulently posed as a "successful" investor specializing in buying rare coins. He invested in a highly speculative mutual fund and used investors' money to pay credit card debt, buy electronic equipment and pay for gambling "junkies." Clancy's lawyers contended he convicted on all counts, Scott and two co-defendants could face more than 100 years in prison.

Art lovers can explore Claude Monet's world on a new Web site. The "Explore Monet's World" site was launched to coincide with an exhibition opening Sept. 20 at the Museum of Fine Arts in Boston. The Web site leads visitors on a tour of the places Monet lived, and painted, including London, Venice and Giverny, France. The exhibition will run until Dec. 27. The Web site can be reached at www.fleet.com/monet



RESEARCH — Sylvester Stallone, right, and producer Andy Wayne visiting a racetrack Friday near Budapest, to prepare for a film about Formula One racing.



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